

**DEPARTMENT OF  
VETERANS AFFAIRS  
REGIONAL LOAN CENTER  
Denver, CO**



**VA FEE PANEL  
APPRAISER'S HANDBOOK  
March 2005 Edition**

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# PREFACE

## INTRODUCTION

This Fee Appraisers Handbook is intended to supplement the appraisal requirements and guidelines provided in the **Lenders Handbook** (January 2001 revision and subsequent changes). Where there is any inconsistency between this Fee Appraisers Handbook and the Lenders Handbook, the Lenders Handbook will be considered the controlling document. In cases where the Fee Appraisers Handbook and Lenders Handbook vary as to standards of performance, the more stringent requirements will govern.

## STATEMENT OF VA EXPECTATIONS

In addition to quality appraisal reports completed in timely fashion, the Department of Veterans Affairs expects and requires the **highest standards of professional conduct, courtesy, appearance, and customer service from its fee panel members**. Although you are independent contractors, remember that in the eyes of the veterans, lenders, Realtors, and other clients with whom you come in contact everyday, **you represent the VA**. While we recognize and respect your right to conduct your appraisal business as you see fit, be assured that VA likewise has the right -- and the responsibility -- to ensure that the Loan Guaranty program is administered first and foremost for the benefit of our veterans.

# **CONSTRUCTION & VALUATION CONTACT INFORMATION**

**VA REGIONAL LOAN CENTER  
Construction & Valuation (262)  
155 Van Gordon Street  
Lakewood, CO 80225**

**ADMINISTERING THE  
VA HOME LOAN PROGRAM  
IN ALASKA, COLORADO, IDAHO, MONTANA, NEW MEXICO, OREGON, UTAH,  
WASHINGTON, AND WYOMING**

**KEY C&V CONTACTS DIRECTORY  
and WEBSITE ADDRESSES  
updated JANUARY 2005**

**TOLL-FREE DENVER REGIONAL LOAN CENTER  
1-888-349 7541, OPTION 1**

**DENVER REGIONAL C&V SUPPORT DESK  
[39/VA262@vba.va.gov](mailto:39/VA262@vba.va.gov)  
Fax: (303) 914-5618**

**MAIN WEBSITE ~ VA REGIONAL LOAN CENTER:  
<http://www.vba.va.gov/ro/denver/index.htm>**

**[]**

**VA APPRAISER'S HANDBOOK WEBPAGE  
[WWW.VBA.VA.GOV/RO/DENVER/INDEX.HTM](http://WWW.VBA.VA.GOV/RO/DENVER/INDEX.HTM)**

**VA LENDER'S HANDBOOK WEBPAGE:  
[www.homeloans.va.gov](http://www.homeloans.va.gov)  
Click on Lenders/Serviceers**

## **TAS WEBSITE (The Appraisal System)**

**<http://vip.vba.va.gov>** TAS must be entered through the PORTAL

**[All assignments are by Internet!]**

Questions on the Portal and TAS should be directed to the Regional Loan Center of jurisdiction at 1-888-349-7541 option 1.

IT Support Center (National Help Desk) - Philadelphia, PA

TAS System Operations & Availability Status/Problem Reporting

(215) 381-3050 ~ 6:00 a.m.-9:00 p.m. Eastern Time , M-F

9:00 a.m.-4:00 p.m.-ET, Sat. ~ FAX: 215-713-3121

VA-REGISTERED CONDOS, BUILDERS & PUDs:

**[www.vip.vba.va.gov](http://www.vip.vba.va.gov)**

NOTE: Approved PUD listings at the site are ONLY  
for those dated prior to January 1, 2001

APPRAISAL INSTITUTE:

**<http://www.appraisal.institute.com>**

LOAN CENTER BULLETINS & VA FORMS WEBPAGE:

**<http://www.vba.va.gov/ro/denver/index.htm>**

NATIONAL LOAN GUARANTY WEBSITE , WASHINGTON, DC:

**<http://www.homeloans.va.gov>**

VA BROADCAST TRAINING WEBPAGE:

**<http://www.homeloans.va.gov/broadcast.htm>**

LOS ANGELES ELIGIBILITY CENTER (WESTERN STATES)

**<http://www.vahomes.org/la/home.htm>**

***"Our Fine Print:"*** Please check our website periodically for updates to this information.

Please note that VA e-mail addresses are not case-sensitive.

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# CHAPTER 1

## GENERAL INFORMATION

### **C&V Consolidation and Restructuring**

In recent years, the national C&V operation has undergone consolidation from 45 Regional Offices located throughout the country down to just nine Regional Loan Centers (RLCs). Effective October 1, 2002, Denver RLC assumed full management and operational control of all C&V activity throughout Alaska, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Wyoming, as well as Colorado. This was made possible through a fundamental restructuring of VA work processes, the relocation of many C&V employees, and the introduction of a number of technological innovations.

A parallel development has been the immense growth of the Lender Appraisal Processing Program (LAPP). Today, more than 97% of all VA appraisals made for loan origination or refinance transactions are received and processed directly by LAPP lenders rather than by VA staff in Denver. Thus, the core mission of C&V has increasingly evolved from production to oversight of work done by others, notably LAPP lenders and fee appraisers.

Key developments in the C&V restructuring process – chronological timeline:

- ***E-commerce is introduced.*** While this requirement went into effect in August 2001, VA allowed reasonable additional time for Fee Appraisers to adapt to and comply with the new requirement
- ***The Appraisal System (TAS).*** In February 2002, the old VA Assignment System (VAAS) was replaced by a much enhanced and expanded processing system called TAS (“The Appraisal System”). This new Internet-based system not only generated case numbers and appraisal assignments (like VAAS) but also, for the first time ever, allowed LAPP lenders *direct access to the VA processing system* to issue their LAPP Notices of Value (NOVs) on-line.
- ***E-Commerce Appraisals go to Denver.*** Effective June 2002, all appraisal reports are e-mailed to Denver RLC rather than to the local Regional Offices.
- ***TAS Access through Portal.*** Effective October 2003 the ***Veterans Information Portal (VIP)*** was introduced. Most VA applications, including TAS, were moved into the Portal. All “external” users, such as fee appraisers, had to register on line to create a Portal account in order to maintain their ability to use TAS.
- ***E-Appraisal.*** Effective August 30, 2004, E-commerce is replaced by the Electronic Appraisal System (E-Appraisal), a web-based application that allows fee appraisers to upload their appraisal reports directly to a centralized national repository (FileNet), where they are electronically stored and are available for viewing or retrieval by LAPP Lenders’ Staff Appraisal Reviewers (SARs) as well as by VA staff. E-Appraisal is now the only authorized means by which fee appraisers may submit their appraisal reports. [Note: E-commerce (e-mail) remains the preferred method of general communication with VA and is still the recommended means of sending administrative items (vacation requests, responses to VA quality letters, etc).



## **Appraiser Availability and Communication**

All VA fee appraisers in Denver's jurisdiction must make themselves available during normal business hours and are expected to respond promptly to any inquiries you receive (by phone, fax, or e-mail) from VA staff, lenders, or real estate agents. Generally, your response should be made ***no later than the following business day***. Failure to respond by the following workday will result in withholding of any new assignments until such time as you have responded to VA.

### **◆ Internet / E-Mail Access**

- VA fee appraisers ***must have Internet access*** that is compatible with VA's Portal and Internet-based appraisal assignment system, called TAS ("The Assignment System"). Additionally, Fee Appraisers must have access to an
- ***e-mail address*** from which they can both send and receive e-mails, including attachments. In the appraisal assignment process (see Chapter 2), requesters are provided your e-mail address, along with your mailing address, phone, and fax numbers.

### **◆ Phone/Fax Availability**

- A ***fax machine***, or access to a fax machine, is ***required***. Any fee appraiser found to be without a functioning fax number will be contacted by VA and asked to remedy the problem. If we are unable to contact you, your appraisal assignments are subject to withholding until such time as fax communication has been restored.
- A ***telephone answering machine***, or voicemail system, or someone to answer your telephone during normal business hours (typically 8:00 a.m. to 4:00 p.m.) Monday through Friday, is ***required***.
- If no one is available to answer your telephone or to check your e-mail during periods of unavailability, you are required to have a recorded telephone message to inform callers of the date you expect to return. These messages should further direct them to call the Denver RLC if they need immediate assistance on a VA case.

### **◆ Vacation Notices**

- You must notify the C&V Section of Denver RLC at least **7** business days in advance when you want to have your VA assignments stopped. Please send an
- e-mail request indicating the date you want to be taken off rotation and the date you want to be placed back on rotation to: [39/VA262@yba.va.gov](mailto:39/VA262@yba.va.gov)

***Note:*** It is ***your responsibility*** to ensure that all assignments received (or assigned to you on TAS) prior to the start of your vacation period are completed and ***uploaded to E-Appraisal***. Be sure that you notify VA of any assignment(s) still pending so we can reassign them to another appraiser.

### **◆ Illness or Emergency Notices**

- Immediate notification is required when you need your assignments stopped due to illness or for reasons of personal emergency. Also, please let us know if there are any assignments you have not completed, so these can be reassigned.
- **Note: Please be aware that any cases unaccounted for during the period of your unavailability are subject to reassignment in the event we are unable to reach you to determine status.**

## **Conflict of Interest - VA Policy**

Due to a recent policy change, VA no longer requires fee personnel to submit an annual Statement of Interests. Nonetheless, VA fee appraisers are held to those requirements and must continue to adhere to them. The following statement of VA policy provides some examples of conflict of interest as well as other guidelines for fee personnel:

*It is neither the desire nor the intent of VA to interfere in the private lives of Fee Appraisers or Compliance Inspectors or to infringe upon their personal liberties. It is appropriate, however, for VA to require that persons serving as Fee Appraisers and Compliance Inspectors do not engage in private pursuits that conflict with their duties on behalf of the VA. Except as may be otherwise expressly authorized by VA regulations, instructions, or directives, VA requires that, as a condition for appointment and retention on rosters of designated or approved Fee appraisers and compliance inspectors, any particular individual serving in such capacities shall not engage in any private pursuits where there may or will be:*

- *Any connection established that might result in a conflict between the private interests of the VA Fee appraiser or compliance inspector and his/her duties and responsibilities to VA and veterans.*
- *Any circumstances wherein information obtained from or through a VA assignment to appraise or to make compliance inspections will be used to the detriment of the government or veterans.*

*Specifically, the foregoing statements of policy and the standards contained therein are intended to preclude any Fee appraiser or compliance inspector from:*

- *Selling land to a builder or sponsor and then making an appraisal or compliance inspection of a dwelling unit purchased by a veteran with guaranteed, insured, or direct loan.*
- *Owning an interest in, being employed by, or operating an architectural, engineering or land planning firm which renders services to builders or sponsors and later accepting an assignment from VA to appraise or inspect dwelling units built or to be built by a particular builder or sponsor for whom architectural, engineering, or land planning services have been rendered by the firm in which the fee appraiser or compliance inspector has employment or an interest.*
- *Appraising or inspecting dwelling units on VA assignments and later accepting exclusive selling rights for the homes.*

- *Appraising or inspecting properties for builders or sponsors who are purchasing hazard insurance or title services with respect to those properties from a company in which the fee appraiser or compliance inspector has an interest.*
- *Owning an interest in a project developed by a builder and accepting VA appraisal or inspection assignments in another area which the same builder owns, is building, or is handling as real estate broker.*
- *Having an interest in or representing building supply firms and accepting VA assignments on dwelling units built by builders or sponsors who deal extensively with such supply firms.*
- *Accepting a VA assignment to appraise property if the fee is contingent upon supporting a predetermined conclusion.*

The above examples are not all-inclusive, but they do illustrate some obvious conflicts of interest.

The provisions above do allow you to act as sales agent or broker in connection with a particular property. However, if you receive an appraisal or inspection request related to VA financing on that property, then you should immediately contact VA and request reassignment of that case to another appraiser.

**In summary:**

- **You must notify VA immediately if you are elected or appointed to public office, or if affiliated with any new lender, builder, or realty firm; or if you have a financial interest in the property to be appraised.**
- **You may not perform a VA appraisal on any property in which you have an interest or involvement or where there is or could be a conflict between your private interests and your duties and responsibilities to VA and to the veterans we all serve.**

# CHAPTER 2

## THE APPRAISAL SYSTEM (TAS)

### The Assignment Process

#### ◆ Computer Assignment

Lenders and other requesters order case numbers and appraisals through the Internet-based Assignment System (TAS). The TAS computer system assigns a fee appraiser for each case on a rotational basis according to geographic areas (cities and/or counties) of coverage. All appraisers currently on the VA fee panel whose status is “Active and Available” are in the rotation and eligible to receive assignments. At the time the appraisal request is ordered and an appraiser is assigned the system will notify the assigned appraiser via an e-mail message of the assignment. The appraiser would then print the 26-1805 from the TAS system.

#### ◆ Appraisal Request Form

When the requester has entered all necessary information on the screen, TAS generates a fully completed VA Form 26-1805-1 (“Request for Determination of Reasonable Value”). The 26-1805-1 will include the VA case number, along with access information and lender contact information.

- ***Note: In conformance with USPAP requirements, you are expected to make a reasonable attempt to obtain the sales contract and disclosure statement(s). Under no circumstances, however, are you to delay completing an appraisal assignment or forwarding the report to the requester and to VA simply because the sales contract or disclosure statement has not been received. Include a comment that these items were not forthcoming despite your requests and that the report was submitted without them for timeliness purposes.***

### Monitoring Your TAS Account

#### ◆ Fee Appraiser Responsibility

It is ***your responsibility*** to monitor your TAS account frequently. Checking daily will enable you to keep track of your workload and will alert you to new VA appraisal assignments as soon as the requester orders them.

Your “***Appraiser Pending Assignments***” list on TAS will display the case number, the subject property address, the name, address, and phone number of the person and company who ordered the appraisal, and the type of case (i.e., LAPP, IND, LGI, LPL). When viewing your pending assignments in TAS, we suggest that you keep the following points in mind:

- **LAPP & Liquidation (LGI - especially “SLMP”) Requests:** While we encourage the fastest possible turn-around time for all VA assignments, when prioritizing your pending VA assignments remember that VA’s timeliness standard for liquidation assignments is five working days.
- **LAPP, IND, or LGI Requests:** If you receive a cancellation notice from the requester, please notify VA of the case number and property address. Often the lender does not notify VA when a case is canceled. Until TAS is updated to reflect the cancellation, that case will continue to show on your pending assignments list.
- If you need to have a case reassigned due to conflict of interest (see Chapter 1) or any other reason, contact Denver C&V.
- With the advent of E-Appraisal (see Chapter 3), your ***“Appraiser Pending Assignments”*** list should be more accurate than in the past. E-Appraisal automatically updates TAS to reflect the receipt date of each uploaded appraisal, so completed cases should disappear from the list.
- Since June 1, 2002, when all VA appraisals from all three states began coming directly to Denver RLC, our C&V staff attempted to acknowledge by return e-mail that your e-commerce appraisal was received at VA. We also updated TAS to reflect that the appraisal is no longer “out for appraisal” but is now “pending review.” ***Now, with E-Appraisal in place, you will not receive an acknowledgement, but you can check E-Appraisal and verify that your report is in the system.***

# CHAPTER 3

## E-APPRAISAL (ELECTRONIC APPRAISAL SYSTEM) & FILENET

As summarized in Chapter 1, the electronic transmission of appraisal reports (“e-commerce”) replaced mailed-in hard-copy appraisals in August 2001. Now, in turn, e-commerce gives way to the next technological advance: the *Electronic Appraisal System (E-Appraisal)*. Effective August 30, 2004, the E-Appraisal function will be available through the Veterans Information Portal (VIP) to external users (fee appraisers and LAPP SARs).

**Note: Use of E-Appraisal by VA fee appraisers is mandatory effective October 1, 2004.**

### **Overview of “E-Appraisals” and “FileNet” Applications**

*E-Appraisal* is a new application on the Veterans Information Portal (VIP) intended for use by external users (SARs and Fee Appraisers). This application was designed to work in conjunction with TAS & FileNet. E-Appraisal offers a variety of essential functions:

- Allows the electronic upload of the appraisal by the appraiser and electronic retrieval of the appraisal by an authorized SAR or Servicer as well as by VA staff.
- Interacts with TAS to record the receipt date of appraisals. SARs or VA staff can run TAS reports listing “Appraisals Received” and “Pending Review.”
- All uploads into E-Appraisal are recorded and retained in FileNet, from where they can only be accessed by VA staff.
- Only the last uploaded document is retained in E-Appraisal for retrieval.
- VA staff can upload appraisals into either E-Appraisal or FileNet, but only uploads into E-Appraisal are relayed to TAS.

*FileNet*, a companion to E-Appraisal, is a separate application reserved for the exclusive use of VA internal users (VA Staff Appraisers & other authorized Loan Guaranty staff). FileNet is an “off- the shelf” application designed for storage of text or image documents. It has been modified for VA Loan Guaranty use and configured to permit the organized storage and retrieval of appraisal reports as well as a variety of other Loan Guaranty documents. Appraisals and other documents uploaded into E-Appraisal are automatically stored in FileNet. Appraisals or other documents relating to a particular VA loan number may also be manually loaded into FileNet, but these additions will not be reflected in TAS. FileNet affords VA staff the capability to search for, retrieve (check-out), and review/process any stored document, then return it (checked-in) to record any changes or review notes by creating a new version in addition to the original. Documents can also be e-mailed directly from FileNet.

[Note: while fee appraisers do not have access to FileNet, this brief description is provided to aid your overall understanding of the new process.]

## **Benefits of E-Appraisal**

The change, in August 2001, from the mailing of hard-copy appraisals to e-commerce transmission provided some clear benefits for VA, for the fee appraiser, and for the lender. Among these were significant savings in:

- **Storage space** due to the reduction, if not elimination of file cabinets, as most appraisal and loan information was stored electronically
- **Cost** of postage, paper, packaging, photocopying, etc.
- **Time**, as “mailing” time was reduced from days to seconds

While retaining all the advantages of e-commerce, E-Appraisal technology offers the following additional benefits:

- Appraisals are processed more quickly and efficiently
- TAS updates in real time to record each appraisal as “received” upon successful completion of the upload
- Appraisals cannot be misplaced or lost (as was possible with hardcopies)
- Appraisals cannot be accidentally deleted (as can sometimes happen when e-mailed copies are maintained at the Regional Office).

## **How E-Appraisal Works:**

The complete *Electronic Appraisal System (E-Appraisal) User Guide* is included in the Addenda section at the end of this Handbook. The User Guide provides illustrated step-by-step instructions on how to:

get to the Veterans Information Portal (VIP) website and log into the Portal  
access the E-Appraisal system through the “Applications” menu on the Portal  
verify property and purchaser information entered in TAS by the requester and correct any errors  
upload an appraisal document to E-Appraisal  
how to retrieve an appraisal report from E-Appraisal

## **Creating the PDF Appraisal Report**

E-Appraisal contains assistance for the appraiser in creating a PDF file for upload if the appraiser does not have such capability on his/her PC. Alternatively, the appraiser has the option of continuing to produce PDF appraisals by any acceptable method previously used for E-Commerce purposes. This section summarizes those requirements. Fee appraisers must have:

- a personal computer
- a scanner
- e-mail capability on the Internet.
- Acrobat 4.0 (or newer version \*) or PDF Publisher software, either contained within the appraisal software or as a stand alone software application.

An appraisal report can be created as (or converted to) PDF format in three ways:

1. Use an appraisal software package that contains Adobe Acrobat 4.0 (or newer version) or PDF Publisher software to produce a .PDF file. Known supporting software includes:

- a la mode, Inc. (WinTotal 2000)
- Day One (Appraisal Manager)
- Polaroid (ACI/MCS)
- Software for R.E. Professionals (AppraiseIt)
- United Systems (HighPerform)
- Bradford Technologies (Appraiser's Toolbox)

2. Use Adobe Acrobat 4.0 (or newer version \*) or PDF Publisher to IMPORT a file created by another appraisal software package. Most appraisal software packages that do not produce a .PDF (*dot* PDF) extension will instead produce one of the following file extensions, all of which can be imported:

**.GIF**  
**.TIFF**  
**.BMP**

**.JPEG**  
**.PCX**  
**.PICT (for Macintosh PCs)**

**.TIF**  
**.PNG**

3. Use Adobe Acrobat 4.0 (or newer version \*) or PDF Publisher to SCAN an appraisal report into a VA PDF file template.

- The template can be obtained from VA.
- This template is a one-page .PDF file.
- The appraiser inputs the required 14 fields in the template (e.g. property address, city...)
- The fee appraiser then scans in the appraisal report (this makes pages 2, 3, 4, 5, 6, etc. of the PDF template file)
- The appraiser uploads the .PDF appraisal to E-Appraisal



# CHAPTER 4

## TIMELINESS AND REPORT DISTRIBUTION

### Lender's Handbook Timeliness Guideline

Chapter 11 of the Lenders Handbook provides timeliness guidelines for both requesters and fee appraisers. In summary, the Handbook states:

- Appraisal requesters must notify the fee appraiser on the *same day* as the appraisal assignment is received through TAS.
- Fee appraisers must complete *VA assignments as quickly as appraisals for conventional loans* are completed in the area where the property is located. An exception may be allowed in a particular case if:
  1. valid extenuating circumstances are documented, and
  2. The appraiser notifies VA (or the lender's staff appraisal reviewer (SAR) in LAPP cases).
- VA offices will consider adding appraisers to the fee panel in areas where timeliness of VA appraisals has been a consistent problem.

### Denver RLC Timeliness Standards (Updated November 10, 2005)

#### State

#### Business Days

#### Alaska

<u>Anchorage</u>	<u>21-28</u>
<u>Palmer</u>	<u>28</u>
<u>Kodiak</u>	<u>21</u>
<u>Eagle River</u>	<u>14-21</u>
<u>Fairbanks</u>	<u>14-21</u>
<u>Ketchikan</u>	<u>28</u>
<u>Kenai</u>	<u>21-28</u>
<u>Wasilla</u>	<u>28</u>

**Colorado**

Loveland/Fort Collins/Longmont	7-10
Denver Metro	5
Colorado Springs	5
Grand Junction	7
Rural	7

**Idaho**

Boise	7-10
Nampa	5-7
Twin Falls	5
Idaho Falls	5-7
Pocatello	3-5
Rural	7

**Montana**

Statewide	10-14
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**New Mexico**

Albuquerque	5-7
Los Alamos	5-7
Belin	7-10
Santa Fe	5-10
Farmington	3-6
Rural	5-10

**Oregon**

Portland	7
Astoria	10
Clackamas	10
Bend	15
Eugene	5
Salem	5
Rural	14

**Utah**

Salt Lake City	5
Ogden	5
Logan	5
Layton/Bountiful	5
Provo	5-8
Rural	5-8

**Washington**

Greater Seattle/Tacoma Area	5
Spokane	5
Everett	10-14
Moses Lake	-----10-15--
Bellingham	5-6
Oak Harbor	7-10
Olympia/Bremerton	7
Rural	5-10

**Wyoming**

Casper	7-10
Cheyenne & Rural	10-14

**Additionally, VA Central Office has established a national standard of five workdays for all liquidation assignments.**

You must report your timeliness information on the VA “Client Requirements” Addendum to your URAR, in the following format:

<b>R (Received)</b>	<b>09-20-04</b>
<b>A (Appraised)</b>	<b>09-24-04</b>
<b>M (Mailed*)</b>	<b>09-25-04</b>

An explanation is required on all cases submitted late. Use **the Received-Appraiser-Mailed (RAM) Comments** section of the Addendum to document the **length** (number of days) and **the specific reason(s) for each delay**. Any delays that are reasonably outside the appraiser’s ability to control (assuming due diligence) will not be counted against you.

[\* Note: With the implementation of E-Appraisal, the “**mailed**” date is the date you upload your report in E-Appraisal and notify the lender.

### **Delays Requested by Lender, Builder, etc.**

If the requester asks you to delay the appraisal assignment for any reason (for example, seller is on vacation, customer preference items not yet installed, etc.) **and** this delay would result in the appraisal report not meeting VA timeliness standards by ***fewer than seven calendar days***, you should:

- require the requester to provide you a ***written request*** for such delay **and**
- include a copy of the request in your appraisal package (scan and attach to your PDF appraisal)
- fully document the delay in your comments.

If the expected delay would result in the appraisal missing VA timeliness standards ***by seven or more calendar days***, you should contact Denver C&V for guidance prior to agreeing to such request.

**Note:** When access to the property has been delayed for ***any reason beyond your control***, the appraisal report must be submitted no later than three business days after access to the subject property has been achieved.

### **Reassignment of Untimely Appraisals**

In the event a requester contacts VA for assistance with a ***late appraisal*** (i.e., one that has not been received by VA or by the LAPP lender within the prescribed time frame) and

- the requester claims non-responsiveness on the part of the assigned fee appraiser (or inability to even make contact), and
- VA, after reasonable attempts, is likewise unable to contact the appraiser or to otherwise ascertain whether or not the appraisal has been completed,

*that appraisal is subject to reassignment to another appraiser. Additionally, the original appraiser's fee will be forfeited and a timeliness error will be charged.*

You should be aware that continued failure to comply with VA timeliness requirements may result in administrative (i.e., disciplinary) action up to and including **Limited Denial of Participation (LDP)**. [A thorough discussion of Administrative Actions/Disciplinary Procedures appears in Chapter 8.]

## **PACKAGING – Order of Exhibits E-Appraisal Cases**

### **Submit Appraisal Report with Required Exhibits In This Order:**

1. VA Client Requirements Addendum (see page 55)
1. A properly completed (neatly typed, as required by the revised Lenders Handbook) appraisal report, using one of the following forms, as applicable:
  - Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70 / Fannie Mae Form 1004, unless the property is a condominium unit or is income-producing (more than one living unit).
  - Individual Condominium Unit Appraisal Report, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit.
  - Small Residential Income Property Appraisal Report, Freddie Mac Form 72/Fannie Mae Form 1025, if the property has two to four living units.
2. A building perimeter sketch showing the “footprint” of the improvements. The calculation for the square foot size of the property must also be shown either here or in the “Comments on Cost Approach” section of the URAR.
3. PHOTOGRAPHS -

In proposed construction cases, a front view photograph of each comparable is required but photographs of the subject property are not required if there are no improvements under construction.

  - If the property is in a condominium more than three units high, no photographs of the comparables are required, provided they are located in the same project as the subject property and are substantially identical to the subject property.

In all other cases, each appraisal report requires:

- one set of original photographs of the subject property (two sets in LAPP cases) showing a front and back view (preferably including a different side view in each photograph) and the street scene, and
- one set of original photographs of each comparables front view.
- photo of any significant locality influence that affects subject property value (example: views, freeways, businesses, etc.)
- photo of any significant structural defect.

There are two alternatives to submitting original photographs:

- Computer-generated pictures are acceptable if they are of comparable quality to original photographs.
  - Copies of listing service or advertising pictures are acceptable for the comparables (but **not** the subject) if they clearly depict the property.
4. Any VA-required addenda that provide additional appraisal or repair-related information in support of the fee appraiser's conclusions (Liquidation Addendum, time adjustment support, etc.)
  5. A properly completed Statement of Limiting Conditions and Appraiser's Certification, Freddie Mac Form 439 / Fannie Mae Form 1004B
  6. Location map indicating subject and comparables
  7. Data source printout of subject property when access has not been obtained. (Liquidation cases only).

**Note: While the fee appraiser's *complete appraisal file* including data source print-outs of comparables, sales contract, and disclosure statements, need not be submitted with the appraisal report, these items *must be made available to VA or to the SAR* upon request.**

# CHAPTER 5

## FEE APPRAISER RESPONSIBILITIES

### What is Expected of the Fee Appraiser

#### ◆ Appraisal Reports

The fee appraiser must view the interior and exterior of every existing construction subject property. In addition, the Fee Appraiser is responsible for all aspects of the appraisal process, including the final estimate of value.

***Important:*** *Certain key appraisal functions may not be delegated to anyone else. Failure to comply with this requirement will be grounds for immediate disciplinary action.*

Specifically, the Fee Appraiser assigned by VA must ***personally***

- Visit and observe the interior and exterior of the subject property and the exterior of each comparable. (The sole exceptions are on liquidation cases where entry to the subject property has been denied or may otherwise not be possible).
- Select, visit, observe, and analyze each of the comparable sales used in the report
- Complete the Market Data Analysis
- Make the final value estimate, and
- Sign the appraisal report as the appraiser.

#### ◆ Repair Inspections

When VA or a LAPP Staff Appraisal Reviewer (SAR) issues a Notice of Value (NOV) that includes repairs, the Fee Appraiser may be requested to certify that those repairs have been completed. In these cases:

- You should be careful to address the repairs ***as stated on the Notice of Value (not as they were stated on your URAR - some of them may have been changed!)***.
- **Your certification to clear required are to be submitted on your letterhead (on your letterhead and uploaded to E-Appraisal along with a full copy of the appraisal package. Do not use VA Form 26-1859 (Compliance Inspection Report) to clear repair requirements.** The repair inspection (without the appraisal) should also be sent to the requester by e-mail.
- Fee appraisers are ***not*** authorized to accept or approve a request for waiver of repairs or other appraisal conditions. Such requests must always come to VA for review.

#### ◆ Additional Requirements

- **Do not perform any appraisal request not assigned to you in TAS unless specifically instructed to do so by VA.**
- Please place your VA ID Number next to your name on all correspondence sent to VA.



## ◆ Representing VA

Remember that you do **not** have the authority to speak to anyone or any group *in an official capacity* representing VA in regard to VA appraisal regulations, procedures, or policies. This includes newspapers, magazines, or organizations of lenders, builders, or Realtors.

## Fees and Payment Issues

### ◆ Fee Schedule

State	Single Family	Duplex	Triplex	4 plex	Condo	Inspection	Mileage
Alaska	\$550	\$750	\$800	\$850	\$550	\$100	\$.445/mi
Colorado	\$350	\$550	\$575	\$600	\$400	\$100	\$.445/mi
Idaho	\$400	\$600	\$650	\$700	\$425	\$100	\$.445/mi
Montana	\$400	\$415	\$415	\$415	\$400	\$100	\$.445/mi
New Mexico	\$350	\$375	\$425	\$425	\$350	\$100	\$.445/mi
Oregon	\$450	\$550	\$575	\$600	\$475	\$100	\$.445/mi
Utah	\$350	\$600	\$600	\$600	\$350	\$100	\$.445/mi
Washington	\$425	\$600	\$700	\$750	\$450	\$100	\$.445/mi
Wyoming	\$350	\$550	\$575	\$600	\$400	\$100	\$.445/mi

Mileage fee is authorized only outside of the counties the appraiser has agreed to work.

If it is outside one of your designated counties and greater than 50 miles roundtrip, you are then authorized to charge the designated mileage fee.

Liquidation appraisal fees are the same as indicated above for the type of property being appraised.

### ◆ Payment Assistance Policy

- When a particular requester has been *consistently* untimely in paying appraisal fees, you may contact Denver C&V in writing (or by e-mail), documenting ***two or more*** specific instances where that requester has been late in making payment. Upon receipt of a sufficiently documented request, VA may provide a letter authorizing payment in advance on future requests from that specific requester.
- A Fee appraiser may **not** unilaterally require a “fee in advance” for any assignment. The decision to require “payment(s) in advance” of assignment completion ***must be approved in writing by Denver RLC.***
- Workload and staffing permitting, Denver RLC may also intervene directly with lenders to assist you in collecting your previous delinquent fees.
- **Under no circumstances, may a VA fee appraiser (without specific written VA authorization) delay completion of an assignment or withhold release of a completed appraisal report because of untimely payment of an appraisal fee on a prior case.**

## **Desk and Field Reviews of Appraisal Reports**

Every appraisal report will be desk-reviewed by a LAPP Lender's Staff Appraiser Reviewer (SAR), by a VA Staff Appraiser, or both, to verify that:

- the report was submitted timely
- that the fee appraiser's conclusions of value are consistent, sound, supportable, and logical
- the report was prepared in accordance with acceptable appraisal techniques and standards (USPAP) as well as specific VA instructions.

In addition, all appraisal reports are subject to field review by VA staff or by the LAPP lender.

## **Quality Control and Standards**

All appraisal reports are reviewed for both Work Quality and Timeliness. Non-acceptable quality or timeliness findings in any appraisal will be classified as Negative Work Quality Findings or Negative Timeliness Findings. All Negative Work Quality Findings are further categorized according to their significance into ***Substantive*** or ***Non-Substantive*** Findings.

- ◆ A ***Substantive*** negative work quality finding will generally be assessed where VA has determined that the fee appraiser made a serious error of fact or methodology that materially impacts the appraised value or condition of the property. Examples include,
  - Fraudulent reporting (misrepresentation of a material fact in the appraisal)
  - Appraising the wrong property
  - Failing to require necessary MPR repairs that may result in damage to the veteran
  - Repeating or failing to correct non-substantive errors after notification by VA
  - Continued disregard for VA instructions or requirements after they have been called to the Appraiser's attention
  - Value errors greater than 5 percent
  - Serious USPAP violations
- ◆ A ***Non-Substantive*** finding is generally one in which VA has determined that the fee appraiser made a relatively minor error of fact or methodology that did not impact the final value or the reported condition of the property. Examples include, but are not limited to:
  - Failing to provide required information on the URAR (e.g., Remaining Economic Life, HOA dues on PUD appraisal)
  - Misreporting of distances between subject and comps
  - Inconsistency within the URAR (e.g., room count differs from page 1 to page 2) \*\*
  - Failing to adequately describe reasoning in support of adjustments \*\*
  - Using time adjustments not supported or documented by pending sales or listings \*\*
  - Making insupportable or "wrong-way" adjustments (plus instead of minus) \*\*
  - Minor USPAP violations

\*\* **Note:** The errors marked \*\* could also be deemed substantive, depending on the degree to which value is impacted. ]

- ◆ Documented negative timeliness or quality findings can form the basis for administrative action by VA against a fee appraiser. Additionally, an appraiser who exhibits chronically deficient customer service, as evidenced by documented unprofessional conduct or repeated complaint calls and letters from program participants, may also be subject to administrative action. [A comprehensive discussion of administrative actions appears in Chapter 8.]

## **Contact with Lenders and Other Parties of Interest**

When an IND (i.e., non-LAPP origination) appraisal report is reviewed by VA, we will routinely provide a copy of the report to the requester. The lender may then provide a copy of the appraisal to any party of interest, upon request. As all other reports, including LAPP and LGI (liquidation), will now be available on e-appraisal to authorized parties, you should not be required directly to release a copy of an appraisal report to anyone. If necessary, VA will provide a copy of the appraisal to a requester who, for whatever reason, is unable to obtain it from e-appraisal.

At the time of the appraisal you should willingly accept, from any party of interest, any information they offer to provide.

## **Tidewater Initiative**

This is a major change in VA's policy regarding interaction between VA fee appraisers and other program participants. In brief summary, the Tidewater procedure allows an opportunity for a designated "Point of Contact" to provide market evidence for the appraiser's consideration *prior* to establishing the final URAR value. The appraiser initiates the procedure by alerting the Contact person that the appraised value appears likely to come in under the sales price. *The appraiser should not discuss the appraisal contents except to explain that the comparables located by the appraiser do not adequately support the sales price.* The contact person then has two business days to provide additional sales information in support of the sales price. Verification of closed sales is required. (Pending sales may be offered, but can only be used to support time adjustments.)

***All attempts to communicate with the designated Point of Contact must be documented to show the date of the attempt, the party's name and phone number, and whether or not additional information was provided.***

While it is expected that implementation of the Tidewater procedure should result in fewer requests for reconsideration of value, they may still occur and should be handled in the usual manner, as discussed on page 28. ***For complete and detailed instructions regarding proper use of the Tidewater Initiative, please refer to Circular 26-03-11, included in the Addenda at the end of this Handbook.***

## **Additional Guidelines for Communicating with Parties of Interest**

***Fee appraisers may not discuss valuation, conditions, or any other issues relating to the contents of their completed appraisal reports with anyone except VA Staff or the LAPP Lender's Staff Appraiser Reviewer (SAR).***

Any party of interest may contact fee appraisers only to inquire about the status of the assignment and the expected time frame for completion. If one of these other parties attempts to engage you in a discussion of the appraisal contents, you should ***politely decline to discuss the report*** and refer them to the LAPP SAR or to VA. There are ***two partial exceptions*** to this rule:

- Once the appraisal report has been submitted to the LAPP lender and the LAPP NOV has been issued, the Lenders Handbook permits ***any party of interest*** to request reconsideration of value from the fee appraiser. While such requests should come to you ***through the LAPP lender***, you might on occasion be contacted directly. In that event, you should politely explain that the value reconsideration process can be coordinated best and most efficiently through the LAPP SAR (and that under the LAPP program, the VA Lender's Handbook does in fact ***require the issue to be handled in that way***). [See page 27 for further information on LAPP reconsiderations of value.]
- Parties of interest other than the SAR ***may*** contact fee appraisers for clarification of repair requirements and/or to schedule repair inspections. You should cooperate on such requests.

**Note:** ***LAPP lenders are responsible for the actions of their authorized agents, correspondents, and affiliates.***

# CHAPTER 6

## LAPP APPRAISAL ISSUES

### Special Requirements Specific to the Lender Appraisal Processing Program (LAPP)

#### ◆ The Role of the LAPP Staff Appraiser Reviewer (SAR)

Generally the LAPP SAR must ensure that:

- the fee appraiser has met VA timeliness requirements and has properly documented the received-appraised-mailed (RAM) dates - (see page 17)
- the URAR and all required attachments and addenda are complete and correct
- the appraiser's methodology is appropriate and reasonable and that conclusions are consistent with data
- the appraiser has complied with current VA instructions
- the appraiser's market value is consistent with the current standard definition of market value and VA's regulatory definition of reasonable value.

#### ◆ Contact and Cooperation with the LAPP SAR

- LAPP SARs are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness or status of a particular appraisal, only the LAPP lender's VA-authorized Staff Appraisal Reviewer (SAR) may contact the Fee Appraiser to discuss valuation matters.
- LAPP SARs should contact VA fee appraisers directly when any information, or methodology, or conclusion contained in an appraisal report requires clarification, correction, or additional support in order for the SAR to make a prudent decision on the reasonableness of the fee appraiser's market value estimate.
- VA fee appraisers are expected to be cooperative with lenders in addressing SAR concerns regarding the content of appraisal reports or timeliness in the completion of their assignments. Lenders are expected to take reasonable steps to mitigate difficulties encountered with an appraiser's report.
- VA should not be considered a "referee" between the lender and fee appraiser in resolving routine issues.
- In any case where the SAR determines that substantive problems with the fee appraiser's report are not correctable through reasonable interaction with the appraiser, the lender will forward the original appraisal report to the C&V Section at the Denver Regional Loan Center. The lender's submission will include a written report clearly outlining the difficulties encountered, with the date and outcome of each contact made with the fee appraiser. This will assist VA in

monitoring fee appraiser performance and determining what, if any, administrative action may be warranted.

***Note:*** Any revisions, corrections, or clarifications made by a fee appraiser to the appraisal report must be uploaded into E-Appraisal and notification furnished to the lender and VA. Any case in which VA determines that relevant appraisal documentation has been withheld will constitute an unacceptable act and may be considered a basis for administrative action against the lender, the fee appraiser, or both.

## ◆ **LAPP Reconsiderations of Value**

Specific and detailed instructions for handling LAPP reconsiderations of value are provided in Chapter 13 of the revised *Lenders Handbook, Section 13.09*. This includes the roles and responsibilities of the LAPP lender, the Fee Appraiser, and VA. The following points are mentioned here for emphasis or to supplement the Lender's Handbook material:

- LAPP SARs are authorized to adjust the appraisal report **up to 5 percent** of the appraised value (except where state law permits only licensed appraisers to amend an appraisal report).
- All requests for reconsideration of value ***must be in writing***, and may be initiated by any party of interest to the transaction. [Review page 25 regarding VA's recommended course of action when contacted by a party of interest other than the LAPP SAR.]
- Remember that any requests for reconsideration of value on a LAPP case must be handled by the LAPP SAR who issued the Notice of Value on that case. The SAR may contact you to discuss your value conclusion or any other aspect of your appraisal methodology, including comparable selection, adjustments, repairs, etc. The SAR may also ask you to consider additional sales that closed after the date of your report. Remember that VA already has a copy of your original report. Any resulting revision must be uploaded in full to E-Appraisal, with e-mailed notification to both VA and the LAPP lender advising that the revised appraisal is completed. If no value change is warranted, an e-mailed response is sufficient. Along with this e-mail, please return a copy of the reconsideration request as well as any recommendations.
- The Fee appraiser may charge a reasonable, mutually negotiated fee for a value reconsideration based on information that was ***not*** available to the appraiser at the time of the original appraisal (newer closed sales, for example). ***Note: If the fee schedule for your area includes a set fee for value reconsiderations, that fee will prevail. A revised fee schedule covering all three states is in progress and, when released, will supersede all present schedules.***
- A reconsideration of value based on market data that was available (but not used) at the time of the original appraisal is the responsibility of the appraiser (i.e., **no**

additional fee may be charged). Reminder: the fee appraiser must also consider all available listing information.

- Denver RLC recommends and encourages that requesters seeking value reconsideration on the basis of new comparable sales should place those sales on our ***Reconsideration Grid Form*** to facilitate review and analysis by the Fee Appraiser or by VA (see Addendum on pages 58). If this format is utilized, the appraiser must respond within 5 working days.
- If analysis of additional data provided does not support an increase in value, the appraiser must supply an explanation supporting the decision, on the appraiser's letterhead, which should be e-mailed to the lender and to VA.
- The appraiser must prepare an updated report using one of the three reporting options in USPAP AO-3. This new report can be generally restricted to analysis of the new data and should reference the original URAR as noted in AO-3 under "Reporting Requirements" paragraph 3.
- Refer to **VA Circular 26-04-04** for further guidance on VA policy regarding the processing of Reconsideration of Value requests. The Circular is included in the Addenda section at the end of this Handbook (see pages 61-62).
- ***Note: VA staff is required to review all LAPP cases involving a change in value.***

# CHAPTER 7

## VA APPRAISAL REQUIREMENTS

***Note:*** As stated in the Introduction, the revised Lender's Handbook, particularly Chapter 11, will be your primary reference regarding VA Appraisal Requirements. The following information is provided to emphasize or to supplement the Lender's Handbook material.

### ♦ **USPAP**

Every VA appraisal must meet the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a complete appraisal, but may be issued as either a self-contained Appraisal Report or a Summary Appraisal Report. There are potential exceptions:

- VA prior approval is required prior to performing a “restricted” appraisal.
- With the exception of liquidation appraisal updates, VA prior approval is required for any case in which the USPAP departure rule is used.

***Note:*** The USPAP Jurisdictional Exception Rule permits Federal agencies to follow their own requirements when there is a conflict between USPAP and Federal agency requirements.

### ♦ **VA as Client**

Under USPAP 2004 changes, simply changing the name of the lender on the URAR is not acceptable. Circular 26-04-05 states Fee Appraisers will insert “Department of Veterans Affairs” after “Lender/Client” on the URAR on all VA case assignments. You will then identify the type of intended user by inserting “Intended User – Any VA approved lender” on the lender/client line following “Address”. Lenders that require their name on the URAR must negotiate a new assignment and pay the appraiser directly and may not charge the veteran. VA will not object to the appraiser accepting this new assignment. VA Circular 26-04-05 is included in the Addenda at the end of this Handbook (see pages 63-64).

### ♦ **Selection of Comparable Sales**

The appraiser must select the three best comparable sales available and properly adjust the sales price of each one for differences between it and the subject property. The goal is for the VA value estimate to not exceed the price at which similar properties can be purchased in the current market. The appraiser must adequately explain any reliance on sales that are not truly comparable to the subject.



## ♦ Approaches to Value

### Sales Comparison Approach:

For most VA appraisals, this approach will be your primary, if not exclusive, indicator of final value. Key points to keep in mind:

- At least three (3) *confirmed closed sales* of comparable properties must be utilized. Ideally, the comparable sales should bracket the subject's Gross Living Area (GLA) and estimate of value. If the sales do not bracket the value conclusion, a supporting explanation and additional closed sales, pending sales, or listing data are required.
- If comparables are located at excessive distances from the subject or market area boundaries, their use in the Sales Comparison Approach must be justified and explained.

Additional current sales data is required (Closed, Pending, Listing) under the following circumstances:

- If two of the three sales have close of escrow dates older than six (6) months.
- When the adjusted values indicated by the comparable sales are too widespread (total spread, high or low, exceeds 15%), or are inconclusive.
- If two of the three sales required excessive adjustments.
- When the market is declining/increasing, and additional support for a time adjustment is required. We recommend that you include a fourth comp that can be a pending sale where you have verified the sale price with the selling agent. As long as you have three closed sales, you can give the pending fourth sale appropriate weight in your reconciliation. The pending sale may be the best indicator of current value.

### Income Approach:

- If the appraisal involves an income-producing property (*more than one living unit*), the appraiser will use value estimates developed through *the income approach including the rental comparison grid, and the sales comparison approach* in the final reconciliation.
- Note that for VA purposes, a veteran may purchase a dwelling of up to four living units, so long as he or she occupies one of the units. In valuing such properties, consideration must be given to the income-producing potential of the remaining unit(s), whether or not the veteran actually plans to rent them out.

### Cost Approach:

- You are not required to provide the cost approach to value on any VA appraisal (proposed, new, or existing construction); however, if you have completed the cost approach you *can* put it on the URAR. Since the residential real estate market does not base transaction decisions on a property's reproduction or replacement

cost, the cost approach to value may only be ***used only to support the sales comparison approach in the final reconciliation***. This may be warranted in rare situations (due, for example, to some unusual aspect of the subject) where the comparable sales alone do not provide an adequate indication of value. Although not required, if you included the cost approach in your work file, please submit it on the URAR.

- ***Note: Any LAPP appraisal wherein the final value was based to any material degree on the cost approach must be sent to VA rather than to the LAPP lender. The LAPP lender must of course be notified of this.***

## ◆ **Appraisal Report Forms**

All VA real property appraisals are to be completed using ***one of the following forms***:

- ***Uniform Residential Appraisal Report (URAR)***, Freddie Mac Form 70 / Fannie Mae Form 1004 [unless the property is a condominium unit or is income-producing (more than one living unit).]
- ***Individual Condominium Unit Appraisal Report***, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit.
- ***Small Residential Income Property Appraisal Report***, Freddie Mac Form 72 / Fannie Mae Form 1025, if the property has two to four living units.

## **Completing the Uniform Residential Appraisal Report (URAR):**

The URAR should be completed fully, in accordance with the following instructions and guidelines. Be sure to **complete all items of the URAR**; do not leave any item blank. Indicate N/A if not applicable. Do not use phrases such as “in lender’s file” or “see prelim.”

### **A. Subject Section**

1. Full VA case number with “LAP” prefix, if applicable
2. Subject address. If address is a rural route and box number, please provide the street or road name and a good location & plat map.
3. All appraisals must have a complete legal description. The legal description must have adequate information, so that with the legal description alone, the reviewer can identify the subject property.
4. Current taxes, including special assessments
5. Borrower, current owner, occupant, (tenant or vacant, if applicable)
6. Property rights should be appraised as Fee Simple. Properties with undivided interest must be on VA/FHA Condo approved list
7. PUDs and condominiums must show monthly HOA dues in space provided.
8. Lender/Client: ***VA is to be named as the client (see instructions on page 29)***
9. Appraiser's name and VA ID number

**B. Neighborhood Section** [Note: Items marked with \*\* may be provided on “Client Requirements Addendum” in lieu of URAR]

1. Neighborhood market analysis should be consistent and relate to all other analysis and comments throughout the report
2. Predominant occupancy grid

3. Single family housing
  - a) price - typical range, predominant value
  - b) age - typical range, predominant age
  - c) in comments, describe the types, ages, unit mix of the neighborhood
  - d) address any marketability factors relating to the subject property if it is outside of the typical or predominant age/value range of the neighborhood
4. Present land use grid
5. Land use change grid
  - a) comment on any rating other than "not likely"
6. Neighborhood boundaries
  - a) delineate the north, south, east, and west boundaries of the neighborhood based on major arterial streets/roads or other geographic or governmental demarcations
7. Comments - Use an addendum, if necessary, to fully describe:
  - a) location of community
  - b) amenities
  - c) locational deficiencies and/or
  - d) inharmonious buildup which affects marketability and/or market value
8. General market conditions - comment on:
  - a) predominant financing in area
  - b) the existence (or nonexistence) of sales or financing concessions in the subject's market area and make a statement regarding any effect they have on the sales prices of comparable homes.
  - c) \*\* whether marketing time (listing period) in subject's market area is increasing or decreasing (e.g., "In the last 3 months, the listing period in the subject's market area has decreased from 180 days to 90 days).
  - d) \*\* average listing price to sale price ratio. Appraiser will use professional judgment to estimate this ratio if unable to determine from available data sources.

**C. PUD Section** [Note: The approved Condominium and PUD list is available through the TAS "All Users" menu or can be reached directly at [cpb.vba.va.gov](http://cpb.vba.va.gov). **PUDs no longer require VA approval and any found at this site were previously approved.**]

1. Complete for properties located in PUD projects.
2. Comment on pending litigation, if any.

**D. Site Section**

1. Provide accurate lot size, frontage, and depth
2. Identify if corner site, cul-de-sac, etc.
3. Indicate zoning - both specific community designation code and description required, identify equestrian zoning, if applicable
4. Identify highest and best use - comment required if this is other than "present use."
5. Utilities block
  - a) when utilities are not public, indicate actual source
  - b) specify whether water and sewer are public or private; wells are individual or community
  - c) if public water or sewer is available in close proximity but subject is not connected, appraisal must be conditioned for connection

6. Off site improvements block
  - a) describe type of street surfaces - comment if not typical for neighborhood
  - b) indicate if private road - if so, property acceptability is subject to submission of evidence of **both**
    - legal right of access (i.e., recorded easement) and
    - maintenance agreement (if maintenance cost to assure year-round access is significant, must be conditioned for approval)
7. Site description block - describe site as to:
  - a) topography, usable land
  - b) size
  - c) shape
  - d) drainage
    - 1) indicate whether adequate or inadequate
    - 2) if inadequate, explanatory comments are required and appraisal must be conditioned for correction of drainage problem
  - e) view - describe (e.g., residential, commercial, park, water, golf course, etc.)
  - f) landscaping - describe (full, front only, minimal, etc.)
  - g) driveway surface (asphalt, all-weather, gravel, etc.)
  - h) apparent easements
  - i) flood hazard information)
    - 1) specify whether the subject property is in a FEMA (Federal Emergency Management Agency) Special Flood Hazard Area
    - 2) identify FEMA zone, FEMA map number, and map date
    - 3) Note: "unknown," or "not available," is **not** an acceptable entry
8. Comments (use addendum if necessary) - describe any
  - a) deficiencies which may detract from the marketability or value of the site -- if none were noted, state: "NO ADVERSE CONDITIONS NOTED"
  - b) favorable features that may enhance marketability or value

#### **E. Description of Improvements Section**

1. General description
  - a) units: should be 1 (if 2 to 4 living units, use the Small Residential Income Property form rather than the URAR)
  - b) stories: 1.0, 1.5, 2.0, 2.5, etc.
  - c) type - indicate attached or detached
  - d) design: indicate style (example: ranch, colonial, Cape Cod, split-level, bungalow, etc.)
  - e) existing/proposed - indicate status of construction
  - f) age - actual chronological age in years (if less than one year, specify number of months or provide date of completion)
  - g) effective age:
    - 1) stating as a narrow range is acceptable
    - 2) any significant variance from actual age should be reflected in a condition adjustment and explained in detail under comments section.
2. Exterior description:
  - a) foundation - indicate concrete slab, poured concrete, concrete block, cinder block, brick, stone, etc. (if none, so state)

- b) exterior walls - indicate primary material (brick, stucco, wood, etc.)
  - c) manufactured house: enter yes or no
- 3. Foundation description
  - a) slab/crawl/basement/sump pump
    - 1) indicate yes, no, none, etc., as applicable
    - 2) explain variance of foundations (e.g., slab under family room, crawl under rear addition, etc.)
  - b) dampness/settlement, infestation - indicate “yes” or “none observed,” as appropriate [*Note: if evidence of one or more of these conditions is present, thoroughly comment on the location and severity, of the problem. If possible, indicate location on sketch. Appraisal should be conditioned to require correction/repair of the indicated problem.*]
- 4. Basement description
  - a) estimate percentage of basement or lower level rooms having finished ceiling/walls/floor
  - b) describe types of surfaces
  - c) describe rooms (family room, den, bedroom, rec room) and amenities (fireplace, wet-bar, etc.) on additional lines or in comments section
- 5. Insulation description
  - a) indicate “unknown” unless able to verify
  - b) energy-efficiency features such as solar panels, storm windows, thermo-glazed windows, insulation wrap, set-back thermostats, etc. can be noted in space at bottom of this section or in comments section below (as well as on the indicated line of the adjustment grid)
- 6. Room list
  - a) basement level - applicable to basement or lower levels of Split Level
  - b) level 1 - includes all finished living area at grade level
  - c) level 2 - includes all finished area above the first level
  - d) an additional line is available for a third level, if needed
  - e) room count and square feet of GLA - Note: all living areas must have adequate heat as defined in MPRs
- 7. Interior section
  - a) state surface materials and condition of each item
  - b) heating/cooling - specify type and condition
  - c) kitchen equipment - indicate built-in appliances ( note: non-built-in or free-standing equipment is generally considered personal property and not considered in value
  - d) attic - indicate as applicable

**F. Comment Section (use addendum if necessary)**

- 1. Additional features: energy efficient items (see note regarding insulation, above), as well as other features (vaulted ceilings, etc.)
- 2. Condition of improvements/depreciation:
  - a) describe deferred maintenance not severe enough to require repair, such as a marginal (non-MPR) deficiency that presents no hazard to the

- occupant and/or the property improvements, or a cosmetic deficiency due to age, wear, or market appeal
- b) required repairs must be
  - 1) limited to those needed to remedy VA MPR deficiencies as discussed in Chapter 12 of the Lender's Handbook.
  - 2) clearly described so they can be identified and cleared by another person in the event of the appraiser's unavailability
- c) occasionally, at request of a party of interest, a non-MPR repair may be required. In such cases, appraiser must state reason for repair
- d) detail updating, and/or replacement over the last 5 years (furnace, roof, etc.)
- e) detail functional obsolescence in relation to current market demand, floor plan, effect of additions, auxiliary heat, etc., when applicable (discussion of effective age versus chronological age can go here)
- f) detail external inadequacies/economic obsolescence commented on under Neighborhood Comments section or Site Comments section as to view/proximity to adversities
- g) office space or areas designed or used for nonresidential purposes may not exceed 25 percent of the total floor space (per VA MPRs).
- h) mechanical equipment must be detailed in comments section
- i) above ground pools are to be mentioned but not considered in value
- j) in-ground pools are to be considered in value
- k) small removable utility sheds are not to be considered in value
- l) out-buildings such as pole barns are to be considered to the extent they contribute to residential utility
- 3. Adverse environmental conditions (not all-inclusive)
  - a) hazardous waste
  - b) toxic substances (radon, asbestos, etc.)
  - c) proximity to gas or petroleum pipelines
  - d) proximity to high voltage electric transmission lines
  - e) EPA Super Fund Sites

#### **G. Cost Approach**

VA does not require completion of the cost approach section *except the following items:*

- 1. Indicate the *estimated site value*
- 2. In the comments section on the right side, provide the estimated ***Remaining Economic Life*** of the property
  - a) must be consistent with the neighborhood analysis
  - b) comment is required if less than 30 years

#### **H. Sales Comparison Analysis Section**

- 1. Addresses: provide the complete property addresses for the subject and comparables (use the actual geographic location of the property, not the mailing address)
- 2. Proximity in relation to the subject:
  - a) if less than 1/2 mile from subject utilize "block" notation (Example: 5 blocks)
  - b) also indicate direction relative to subject (e.g., 5 blocks NW)

3. Sales price should reflect the actual contract sales price, not present market value
4. Data source: MLS, County Records, etc. - include document # for verification
5. **Sales or financing concessions** - address the effect, if any, on the comp's sales price
  - a) **adjustments to comparables must be made for special and creative financing or sales concessions. No adjustments are necessary for those costs that are normally paid by sellers as a result of tradition or law in a market area; such costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comp by comparisons to financing terms offered by a third party institutional lender**
  - b) **adjustments should reflect market reaction to the financing concession, not the dollar for dollar cost to the seller**
  - c) **provide comments as necessary to explain any adjustments based on appraiser's judgment**

**NOTE: it is important to note that VA follows whatever practice is accepted by industry appraisal standards and local requirements. Ultimately, it each appraisers responsibility to know the market and make any appropriate adjustments.**
6. Date of sale
  - a) should indicate sales closed within the last 90 days as of the date of the appraisal--exceeding this parameter with justification is acceptable
  - b) **if time adjustments are being made, they must be supported by comparable listings. These listings must be included in your report**
7. Location/site:
  - a) provide lot size of subject and all comparables
  - b) **note:** the previous restriction on valuing "excess land" (which allowed assigning of full value only to that portion of the land considered typical in size for a residential home site in the subject market area) has been largely removed. See page 11-21 of the Lender's Handbook for the guidelines.
  - c) If a portion of a lot is unusable for any reason, provide an explanation
8. View
  - a) note specific influences
  - b) provide photo if a significant adjustment is warranted
9. Design/appeal
  - a) for subject: indicate style (ranch, contemporary, manufactured) or provide other descriptive phrase (one-story or two story)
  - b) for comps: same as for subject and/or rank each comp relative to subject (equal, similar, inferior, superior)
  - c) adjustments used here should not be subjective, but documented by paired sales/extracted data.
10. Quality of construction
  - a) rate quality - comment on any quality adjustment used
  - b) trim, tile roof vs. comp roof, stucco vs. wood siding, etc. should be considered here

11. Age - state **actual** age of subject and comparables (effective age, if different, should be considered in condition adjustment and explained under comments)
12. Condition - rate as excellent/good/average/fair/poor--should be consistent with condition information shown on page 1.
13. Room count:
  - a) comps should be similar to subject in bedroom (and if possible) in bath count (adjustment for differences in bedroom or bath count can be made here or under Functional Utility, as long as the report's methodology is clearly discernible to the reviewer - provide explanatory comments as necessary - do **not** make the same adjustment twice)
  - b) Note: adjustments for room count and gross living area should be shown as separate line items (again, be careful not to "double-adjust" for the same variation under two different line items)
14. Gross living area:
  - a. should be as similar to subject as possible
  - b. adjustments not required for differences under 100 square feet
  - c. office space or areas designed or used for **nonresidential purposes may not exceed 25 percent of the total floor area**. Storage areas or similar areas that are integral parts of the nonresidential portion are included in calculating the total percentage of nonresidential area. When faced with a property that appears to exceed the 25% limitation, we suggest that you contact VA for guidance before proceeding with the appraisal.
15. Basement & finished rooms below grade - specify percentage of basement finished and the number of baths (for split level residences, show lower level finished square feet and number of baths) Note: this is not to be included in the gross living area of the property.
16. Functional utility:
  - a) any **adjustments should reflect market reaction** to any functional obsolescence of subject or comparables relative to each other
  - b) adjustments should be explained in the "Sales Comparison Comments" section and should be consistent with "Condition of Improvements" comments on page 1
  - c) see advisory note above regarding bedroom or bath adjustments
17. Heating/cooling
  - identify type of furnace and fuel source(central, wall, gas, electric)
  - state whether A/C or none
  - a) newer furnace or A/C may justify adjustment, with explanation
18. Energy efficient items - replacement windows, solar heat, insulation etc. can be indicated here and adjusted as applicable
19. Garage/Carport
  - a) if none, indicate if there is off-street or street parking only state garage features; siding, attached, detached, can be considered here adjust for condition, age, or quality, as appropriate
  - b) If converted, comment on the extent and quality of the improvement (heating, floor covering, insulation, **permits**, etc.) and whether or not



it qualifies as living area or merely storage - note that any adjustments should

- be based on market reaction
- balance any gain in living space against the loss of parking facilities

20. Porch, patio, deck, fireplace

adjustments will depend on differences in size and quality of porches, patios, decks, fireplaces, etc.

- a) natural wood burning fireplace can warrant adjustment but cannot be used as the sole or primary heat source (see VA MPRs regarding heating)
- b) personal property such as satellite dishes or above-ground pools is **not** to be included in the estimate of reasonable value.

21. [Blank line] - may be used for:

- a) additional custom or amenity items, such as full remodel of kitchen or bath
- b) kitchen equipment (must be built-in to be included in value)
- c) specific upgrades must be listed if adjustment is assigned
- d) garage conversions or additions done without permits or where there is no evidence of permits (see guidelines below regarding when and how to condition appraisal in this situation)

22. Net adjustment (total)

- a) when the **net adjustment exceeds 15%** of sale price, the appraiser must comment as to why a more similar comparable was not used
- b) when the **gross adjustment exceeds 25%** of sale price, the appraiser must comment as to why a more similar comparable was not used
- c) comment when the dollar difference between the highest and lowest comparables after all adjustments exceeds 10% of the appraised value of the subject property
- d) adjustments should be derived from the market via the extraction method and shall not be based solely on "appraiser judgment"
- e) adjustments are not to be used to make a comparable fit to the sale price and/or asking price
- f) appraiser is to fully support and document estimate of value that considerably exceeds actual sale price amount which is provided by lender and/or purchase agreement

23. Adjusted Sales Price of Comparable

24. Comments on Sales Comparison

- a) explain reasoning for adjustments (do not just repeat what sections were adjusted above)
- b) explain why more weight was given to some comps as opposed to others (for example, the least adjusted comparable, the most current sale, two comps weighted toward one value indicator)
- c) attach continuation addendum if needed
- d) for any adjustments due to location, site, design/appeal, quality of construction, or condition
  - if over \$5000, explanation is required
  - if over \$10,000, should be supported by paired sales analysis

25. Sales history of subject & comps:
  - a) three year sales history of subject and **one year for comparables** required
  - b) county records and/or city data search is acceptable
  - c) state the source researched
26. Indicated Value by Sales Comparison Approach
  - a) should be consistent with reasoning expressed in comments (see item 24 above)
  - b) use of averages, medians, modes is not appropriate appraisal practice
  - c) ***must fall within the adjusted range of value of the comparables***

**Note: Any additions, upgrades, or other improvements (e.g., porches, pools, fireplaces, etc.) to comparables sales made *after* the date of sale should be mentioned in your appraisal report (for the benefit of a future field reviewer).**

**I. Indicated Value by Income Approach**

1. Generally not required by VA except for income producing properties (more than one living unit) for which the appraiser should use the Small Residential Income Property form. In that case, appraiser will use value estimates developed through ***both the income approach and the sales comparison approach*** in the final reconciliation.

**J. Reconciliation Section (use addendum if necessary):**

1. Appraisal should be made either:
  - ***As is***, if there are no MPR repairs or other requirements. If so, a statement such as “No repairs or conditions” should be made on the “Conditions of Appraisal” line. (note: all liquidation appraisals must be appraised “as is”).
  - ***Subject to repairs, alterations, inspections, or conditions***, if the final value is contingent upon completion of such requirements. If so, these must be listed on the “Conditions of Appraisal” line or on a referenced addendum. Any repairs should be limited to those necessary to remedy an MPR deficiency. Conditioning for installation of customer preference items that were missing as of the date of appraisal is acceptable on new construction appraisals. Be sure to provide a fully itemized list.
  - ***Subject to completion per plans and specifications***, if the property was not complete (at least to the point of customer preference items) at the time of appraisal **and** the value was based upon a review of plans and specs furnished by the lender or builder.
2. Final Reconciliation correlates all approaches to value and explains which approach has been assigned the most weight and why.

**Note: Remember that VA relies exclusively on the sales comparison approach to value (except in very unusual circumstances involving inadequate or no comparable sales available or an extremely unique property). On a VA appraisal, the value estimate should never exceed that indicated by the sales**

***comparison approach. This approach recognizes that a well-informed purchaser will generally pay no more for a property than the cost of acquiring a similar property of equal desirability and utility without undue delay. [Lender's Handbook, page 11-9]. If either of the other two approaches to value is given any weight, provide a full explanation.***

3. Final Estimate of Market Value should generally be the same as the indicated value by sales comparison approach (as explained in the above "Note"). The effective date of the report should be the date the property was inspected.
4. Report must be signed and dated. Provide your VA Appraiser number next to your signature. Provide your State Certification or License number in the space indicated.
5. The Supervisory Appraiser section is not used for VA purposes.

### ◆ **Use of Assistants**

VA fee appraisers must comply with VA's policy concerning assistants. An appraiser who has relied on significant professional assistance from any individual in the performance of the appraisal or the preparation of the appraisal report must name the individual and the specific tasks performed in the reconciliation section of the report. Under VA's fee panel system, VA is required by statute to maintain a list of appraisers who have been determined by VA to meet its qualification requirements and to assign appraisers on a rotational basis. (LGY Bulletin 26-03-07 is included in the Addenda section at the end of this Handbook.)

#### ***The fee appraiser assigned by VA must personally***

- view the interior and exterior of the subject property and the exterior of each comparable
- select and analyze the comparables
- make the final value estimate, and
- sign the appraisal report as the appraiser.

The VA fee appraiser may not delegate any of these four important functions to an assistant, even though that person may be licensed or certified. The individual who signs the URAR as the appraiser must be the VA fee panel member who was assigned on the rotational basis by VA.

The URAR (and the accompanying Freddie Mac 439/Fannie Mae Form 1004B) acknowledges the use of assistants. The URAR further allows that, in some States, compliance with the intent of the Real Estate Appraisal Reform Amendments (Title XI) of FIRREA is assumed to have occurred when an unlicensed or uncertified appraiser working as an employee or subcontractor performs a significant portion of the appraisal (or the entire appraisal, if he or she is qualified to do so), as long as the appraisal report is signed by a licensed or certified supervisory appraiser. While the URAR format allows for this practice, be advised that **this is not acceptable to VA.**

Essentially, the activities that an assistant can perform alone without the VA fee appraiser are extremely limited. VA will allow an assistant to sign a report as an

assistant in order to document qualifying experience for future licensing and certification purposes. However, even in this situation, the primary signatory on the report must be the authorized fee appraiser. Failure to comply with VA's requirements in this area will constitute a basis for removal from the fee panel.

If the VA fee appraiser relied on significant professional assistance in performing the appraisal (except as prohibited above), the name of the individual and the specific tasks performed must be shown in the "Reconciliation" section of the appraisal report.

## CHAPTER 8

# ADMINISTRATIVE ACTIONS

VA appraisal quality standards, including specific definitions and examples of *substantive* and *non-substantive* errors are discussed on page 23. Additional examples of unacceptable conduct or performance in the areas of timeliness, quality, or customer service have been described throughout the preceding chapters. VA expects all Fee Appraisers to adhere to our general guidelines in all of these areas. Failure to comply will form the basis for administrative action on the part of VA. Repeated violations will result in progressively more severe action. The following summary of deficiencies is not all-inclusive but is intended to supplement the examples given on page 23:

- Substantive violation(s) of established VA policies or procedures.
- Substantive negative work quality finding(s) of a nature that would materially or significantly impact the value or condition of the property.
- A series of non-substantive negative work quality findings, which in the aggregate would establish a pattern of careless or negligent performance.
- Technical incompetence (i.e. appraisal reports which demonstrate insufficient knowledge of industry-accepted principles, techniques, and practices).
- Improper conduct (i.e. conduct or behavior not befitting a professional and/or not in the best interest of VA or of VA program participants).
- Continued disregard for VA requirements after they have been called to the appraiser's attention.

In instances where an appraiser chooses to disregard these guidelines, VA is mandated to take corrective action. VA has discretion to employ a wide variety of administrative actions (i.e., disciplinary actions) as circumstances dictate. Some of these include the following:

- **Informal Counseling**
- **Formal Counseling**
- **Withholding of Appraisal Assignments** -- imposed by the Valuation Officer for a period of *up to 60 days*.
- **Limited Denial of Participation (LDP)** -- imposed by the Director of the Regional Office for a period of *one year*.
- **Debarment/Suspension** -- imposed by the Department of Veterans Affairs for a *minimum period of one year*.

## **Complaints**

The VA Regional Office shall consider a lender's valid report of complaint as a basis for administrative (disciplinary) action. Administrative action, if appropriate, shall be based upon a thorough VA review of:

- the facts and evidence presented in support of the allegation(s)
- full consideration of any response provided by fee appraiser.
- the number of previous cumulative negative findings and/or complaints documented in the fee appraiser's performance folder

## **Disciplinary Due Process**

Any fee appraiser receiving notification that assignments are being withheld, or that other administrative or disciplinary action is being taken, will be afforded the opportunity to appeal the action in writing or in person, or both, by requesting a meeting with the Fee Roster Committee at the Regional Loan Center in Denver.

The Fee Roster Committee typically consists of the Loan Guaranty Officer, the Assistant Loan Guaranty Officer, and the Valuation Officer. Appellate rights and procedures will be explained in detail within the disciplinary action letter.

If, after all due process and appellate procedures have been exercised, the disciplinary action is upheld, that Fee Appraiser is subject to having his or her name -- and the reason for the disciplinary action -- reported to the state licensing authorities and/or to any professional appraisal organizations of which the appraiser is a member.

# CHAPTER 9

## LIQUIDATION APPRAISALS

### **Basic Liquidation Appraisal Guidelines**

Detailed instructions outlining specific VA requirements for performing liquidation appraisals are found in the Lender's Handbook, pages 11-25 through 11-29. The following highlights are offered for emphasis.

#### **Realistic Appraisals**

Realistic and objective appraisal reports that accurately reflect overall market conditions and the market value of the subject property are essential to the integrity and viability of the VA Loan Guaranty Program. Because of concerns over the accuracy of liquidation appraisal procedures, especially in areas experiencing soft market conditions, procedures are being implemented as stated below. Appraise all foreclosure or liquidation assignments for ***current market value*** as a residential unit.

#### **Access to Interior**

- Interior access to the property is critical in the liquidation appraisal process to ensure that a proper appraisal has been performed; and that all existing conditions of the subject property have been considered in the sales comparison analysis. A sample letter to assist in gaining access to occupied properties is shown on page 47.
- While it is expected that the fee appraiser, with assistance from the lender/servicer/holder should in most cases be able to gain access, there are some exceptions. These are listed in the Lenders Handbook along with specific instructions for documenting your access attempts (see "Liquidation Appraisal Addendum," below) and suggested means of estimating the interior condition. On vacant properties, permission to do an exterior-only appraisal may in rare instances be authorized by VA. Access attempts must be thoroughly documented on all vacant properties using the Request for Assistance form shown on page 48.
- If an appraiser is having difficulty gaining entry to a vacant property (i.e. no contact info on 1805, wrong keys, etc.) they should complete and email or fax the Request for Assistance form on page 48 to C&V at the Regional Loan Center for assistance (e-mails should be sent to [39/VA262@vba.va.gov](mailto:39/VA262@vba.va.gov)).
- If a property is occupied, and the occupant refuses access, the appraiser should document his/her report, and complete an exterior inspection without further delay to enable the five day timeliness requirement to be met.

#### **URAR Must Be Made "As Is"**

- All liquidation appraisals will be performed considering the subject property in its present "as is" condition. It is important to understand that by "as is" we simply mean that the

property is to be considered as it presently stands with whatever physical inadequacies may exist, if any. Furthermore, the term “as is” does not imply that the property is necessarily in a poor state of repair. A property that is in a good state of repair with no physical inadequacies is also considered “as is.” To arrive at the “as is” value, fee appraisers are to make appropriate adjustments in the sales comparison analysis to reflect needed repairs and/or physical inadequacies present in the subject property at the time of the appraisal. Both required MPR repairs (discussed in Chapter 12 of the Lender’s Handbook) **and** non-MPR (or cosmetic) repairs should be considered if they would enhance the value or marketability of the property to the typical buyer in the local real estate market.

- The fee appraiser will provide an itemized list of all repairs (MPR and non-MPR) considered necessary and which affect the marketability of the property. The itemized list will indicate the estimated cost to cure and the contributory value, if any, of each repair. In estimating the contributory value, it should be recognized that cost does not always equal value and that in some cases, several individual repair items must be considered in the aggregate before they are recognized by the general real estate market as contributing to value. The required format for the repair list is included as part of the ***Liquidation Appraisal Addendum*** [on page 11-28 of the Lender’s Handbook. It is also reproduced on 49 of this book.]

### **Selection of Comparable**

- Comparables must be the best available in the subject’s market area, considering typical transactions and actions of typical buyers and sellers.
- Comparables must not be restricted solely to those in a similar “as is” condition. A property in the immediate area but in better condition than the subject may, with proper adjustments to the sales price, may be a better indicator of value than a comparable in a similar condition but in a different area.

### **SLMP Cases**

Lenders/servicers/holders who participate in the ***Servicer Loss Mitigation Program (SLMP)*** or who are authorized by VA to handle compromise sales or short sales are entitled to receive a full original report directly from the fee appraiser at the same time you send your appraisal report to VA. Loan Guaranty Information Bulletin 26-02-09 extended this privilege to ***all*** requesters (see Addendum, pages 59-60). With the introduction of E-Appraisal, simply uploading the completed appraisal report fulfills this requirement.

### **Required Liquidation Addendum**

In addition to the itemized repair list and the documentation on access attempts (see previous page), the Liquidation Appraisal Addendum requires the following additional information:

- **Emergency Repairs** - Beyond the MPR repairs and non-MPR repairs as discussed above, the fee appraiser must also provide a list and cost estimate of any emergency repairs that are required to preserve or protect the property from vandalism, extreme weather conditions or to protect the public.



- **Occupancy Information** - (if necessary, use “Comments/Continuations” section)
  - ⇒ If **vacant**, recommendations for draining the heating and plumbing systems, shutting off power, and locking doors and windows (this information may be included with the “emergency repairs”)
  - ⇒ If **owner-occupied**, the occupant’s name
  - ⇒ If **tenant-occupied**, the tenants/occupants’ name(s), period of occupancy, lease terms and expiration date, monthly rental, dates of payment and to whom payable.
- **Analysis of Competitive Listings or Contract Offerings** - Fee appraisers shall provide in all liquidation appraisal cases, in addition to the three closed sales on the appraisal report form, information on at least three competitive listings or contract offerings considered the most similar and proximate to the subject property and certain general market information as specified below. This information is intended to lend additional support to the value estimate and assist VA staff in evaluating competing market conditions and trends affecting the subject property (especially in areas that are experiencing significant market fluctuation, negative or positive). It is also intended to assist in ensuring that fee appraisers are reconciling the closed sales data with current market conditions. *Note that an “analysis of listings and offers” is required, as part of the Liquidation Appraisal Addendum, for all liquidation appraisals* (unlike origination appraisals, for which the Lender’s Handbook mandates the use of a listings/offers addendum only if a time adjustment is made or if a “significant market transition is indicated”). Listing information and adjustments are to be provided on the URAR grid.

### **Extension of Validity Period of Liquidation Notices of Value**

A VA Notice of Value based on a liquidation appraisal is generally valid for a period of six months from the date of the appraisal. The validity period may be extended only under the following circumstances:

- If the sale date is **more than 45 days** past the expiration of the appraisal, the servicer will be advised to order a **new appraisal**.
- **If the sale date is 45 days or less past the expiration of the appraisal**, the servicer will be advised contact the original fee appraiser and order a "site inspection". The fee for this is \$100.00 and can be documented on the invoice as "site inspection".

In conducting this site inspection, the appraiser will visit the property to determine that:

- **The condition of the property has not deteriorated, and is in generally the same shape as when originally appraised.**
- **General market conditions have not suffered.**

In addressing these two items, the Site Inspection letter must document the date of the inspection. Additionally, if either the property or the market has suffered, the appraiser should describe such changes.

The appraiser will upload the Site Inspection letter into E-Appraisal and then immediately send an e-mail notification that this has been done to both VA and the servicer.

**Sample Letter**  
**(Referenced under Access to Interior on Page 44)**  
**Interior Access to Occupied Properties**

You are to affix the letter below to the front door of occupied properties when you have not been able to contact the occupant(s).

Estate Appraisals  
South Main Street  
Denver, CO 80224

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

My name is: \_\_\_\_\_. I have been assigned by the Department of Veterans Affairs (VA) to complete an appraisal on your property because of the possibility of foreclosure action in the near future.

Please call my office at (303) 123-4567 within 3 days to arrange for an appointment so that I may view the interior of your property, to enable you to receive a proper estimate of the value of your home.

Not allowing the appraiser to view the interior of your home will not stop the foreclosure from taking place. In fact, your future liability to the government may increase, since I may need to make assumptions about the interior condition of the property if access is not gained.

If you have any questions concerning this appraisal assignment, please call the Department of Veterans Affairs at 1 (888) 349-7541, option 1.

Sincerely,

VA Fee Appraiser

# VA Appraiser's Request for Assistance –

**Note: Interior Access to Vacant Property is Required  
on Every VA Liquidation Appraisal**

This form is to be used for any **Liquidation** assignment where the subject property appears vacant and interior access is not readily available. **Upon receipt of this form, the Lender/Holder/Service of the property is required to contact the Fee Appraiser and provide assistance in gaining entry.**

TO: \_\_\_\_\_ Lender's Fax # \_\_\_\_\_

FROM: \_\_\_\_\_ Fax # \_\_\_\_\_  
VA Appraiser Phone # \_\_\_\_\_

Re: VA Case Number \_\_\_\_\_ Lender's Case # (If known) \_\_\_\_\_

Subject Property Address \_\_\_\_\_

⇒ I am the VA appraiser assigned to appraise this property. Upon inspection, the property was found to be vacant. Please make arrangements for interior access so that I can complete the appraisal assignment. Failure to provide prompt access to the property will delay your appraisal and may result in the lender incurring additional fees and costs.

Appraiser's Signature \_\_\_\_\_ Date Fax Sent to Lender \_\_\_\_\_

Fee Appraiser Note to VA Regional Loan Center: VA RLC Fax #: \_\_\_\_\_

⇒ I sent the lender a copy of this fax on date shown above. It has now been \_\_\_\_\_ working days and I still have neither received assistance nor gained entry to the property. I am requesting VA (Loan Administration) assistance or alternate instructions. Additional comments summarizing my attempts to communicate with the lender:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Appraiser's Signature \_\_\_\_\_ Date Fax sent to VA RLC \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

For VA Use Only

VA Response: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_, Valuation Officer (or Designee) Date: \_\_\_\_\_

**[Liquidation Appraisal Addendum - Sample Format]**

**LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. \_\_\_\_\_**

**INTERIOR ENTERED?** \_\_\_\_ (if unable to gain access, show at least three earnest attempts):

	<u>Date</u>	<u>Time</u>	<u>Phone</u>	<u>Contact</u>	<u>Comments</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

**PROPERTY VACANT OR OCCUPIED?** \_\_\_\_\_ **PROPERTY SECURED?** \_\_\_\_\_

**REPAIRS NEEDED?** \_\_ (indicate emergency repairs with an asterisk by the number):

	<u>Description</u>	<u>VA MPR Violation?</u>	<u>Est. Cost</u>	<u>Estimated Contributory Value</u>
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
	<b>Totals</b>	<b>\$</b> _____	<b>\$</b> _____	

**ANALYSIS OF LISTINGS AND OFFERS:**

No. 1 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_

No. 2 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_

No. 3 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
Days on Market \_\_\_\_ Comparison with Subject

\_\_\_\_\_  
\_\_\_\_\_

**COMMENTS/CONTINUATIONS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# CHAPTER 10

## MANUFACTURED HOUSING ON PERMANENT FOUNDATION

### **Basic VA Requirements**

The detailed instructions provided in the Lenders Handbook supersede the various local policies that had been previously in effect at the Regional Offices. Because the appraisal-related requirements are scattered throughout several Lender's Handbook Chapters, you may find the *Manufactured Housing Summary Sheet* on page 51 useful as an at-a-glance reference.

Other relevant information in regard to manufactured housing appraisals includes the following:

- As with all real property appraisals for VA, requests will be made via VA Form 26-1805-1 (Request for Determination of Reasonable Value).
- Appraiser must state on the URAR that the subject manufactured home is or is not on a permanent foundation (including a permanent perimeter enclosure if required by the local authority).
- If the subject manufactured home is not on a permanent foundation, appraise it as if it were on an acceptable permanent foundation and condition your URAR "*subject to repairs . . .*"
- The sale of other manufactured homes on permanent foundations shall be used as comparables in the market data analysis. If the appraiser's report states that such comparables are not available, the appraiser may use the best comparables available and adjust as appropriate in the market grid.
- Perimeter enclosures must meet the requirements of the local authority and additionally must
  - ⇒ Be solid.
  - ⇒ Have adequate ventilation.
  - ⇒ Have an access to the crawl space.
- If there is no access to the foundation, contact the requester and have them make arrangements for access and have them contact you for a re-inspection of the foundation.
- Regular vertical or horizontal woven or slatted metal skirting is not acceptable (solid metal skirting is acceptable).
- The tongue, wheels and axles must be removed. Be sure to condition your URAR accordingly ("*subject to removal of . . .*")

## **MANUFACTURED HOUSING SUMMARY SHEET**

This sheet summarizes the various *Lender's Handbook* References regarding Manufactured Housing appraisal requirements. Consult the Lender's Handbook itself for the fully detailed instructions.

### **Basic Requirements** (Pg. 10-10)

To be eligible for a VA loan term of 30 years, a manufactured home must be

- classified and taxed as real property
- properly affixed to a **permanent foundation** (Section 12.10)
- substantially conform with VA MPRs (Chapter 12), and
- conform with applicable building code and zoning requirements for real estate

### **Specific Requirements**

**Existing Construction** (Pg. 12-20): Foundation for a manufactured home has been fully completed and the manufactured home unit has been installed. **Note: Always report the date the unit was installed on the foundation.** There are two MPR-related requirements:

- The site, manufactured home unit, and other on-site improvements must meet VA MPRs for existing construction (Chapter 12).
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

**Note:** If the fee appraiser has reasonable doubts as to the acceptability of the foundation system *where there are no local requirements*, the appraisal report may be conditioned for a statement of acceptability from a registered professional engineer. Considering their cost, such statements should be required only when necessary and not just as a measure of liability protection for fee appraisers.

**Proposed or Under Construction** (Pg. 12-21): Foundation for a manufactured home has **not** been fully completed and the unit has **not** been installed. Appraisal will be based on plans and exhibits as well as inspection of the unit if on site or at the dealer's lot. There are two MPR-related requirements:

- The site and on-site improvements (but not the manufactured unit itself) must meet the VA MPRs for proposed construction (Section 12.02).
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

### **Required Exhibits Accompanying 26-1805-1** (Pg. 10-25)

Specific requirements for acceptable Manufactured Housing foundations are provided in chart form on pages 12-22 and 12-23 of the Lender's Handbook.

### **Other Appraisal Requirements** (Pg. 11-19)

The appraiser must enter the manufactured home unless it is **both new and has not been delivered to the dealer or to the site**. If other M. H. on permanent foundations are not available for use as comparables, the appraisal report must so state, and show in the market Analysis grid that the sales prices of the best conventional home sales available were property adjusted.

# CHAPTER 11

## INDIVIDUAL PROPOSED CONSTRUCTION

### Basic VA Requirements

Detailed instructions appear in the Lenders Handbook, mostly in Chapters 10 and 11. Required construction exhibits, which should have accompanied the 26-1805, are listed and described on pages 10-22 and 10-23. Appraisal requirements that are unique to proposed construction are covered on pages 11-17 and 11-18. The following highlights and/or supplemental guidelines are provided for reference:

- When appraising proposed construction cases, only those features incorporated in the plans and specifications are to be considered in the estimate of reasonable value.
- If the sales contract or plans and specifications are not in agreement with the existing construction, contact the requester for clarification or a change order.
- Note that VA Form 26-1852 Description of Materials is no longer required. The builder may use an alternate format as long as it is sufficiently detailed for VA appraisal and compliance inspection purposes.
- Plans and specifications must be scanned and included with the appraisal report. (8-1/2" x 14" is usually the largest that can be scanned)
- Appraise the property as **new construction (existing)** if customer preference items (e.g., carpet, wallpaper, kitchen appliances, light fixtures, etc.) are the only items to be completed. Plans and specifications are **not** required to complete the appraisal in these cases.
- Appraise all proposed construction cases as **proposed** if more than customer preference items remain to be completed (i.e. driveway, sheet rock, shingling of the roof, grading, etc.).
- Closed sales and any contracts for sale must clearly show any sales incentives, optional items, and type of financing so that their effect on the final estimate of value may be considered.

### Appraiser's Certification

The following appraiser's certification must be attached to all VA proposed cases:

*"I hereby certify that the information contained in \_\_\_\_/[specific identification of all construction exhibits (e.g., Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report."*

### **Certification from Architect, Surveyor, Land Planner, or Engineer**

Additionally, in all proposed constructions cases, VA will require certifications from architects, surveyors, land planners, or professional engineers, or other technically qualified individuals approved by VA for such purposes, that the drawings or plans and related specifications submitted are in conformity with applicable VA MPRs. The certification will read as follows:

***“I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.”***

Plan Certifier’s Signature	Certifier’s Title	Code Number	Date of Certification
-------------------------------	-------------------	-------------	--------------------------

[Note: VA will accept HUD Form 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.]



# ADDENDA

## SUPPLEMENTAL REFERENCES, BULLETINS, CIRCULARS, AND ATTACHMENTS TO VA FEE APPRAISER'S HANDBOOK

	<b>Page</b>
<b>VA Client Requirements Addendum</b>	<b>58</b>
<b>Fee Personnel Vacation Request Form</b>	<b>59</b>
<b>Guidelines/Procedures for Reconsideration of Value</b>	<b>60</b>
 <b>Loan Guaranty Information Bulletins and Circulars</b>	
<b>Liquidation Appraisals – LGIB 26 02-09</b>	<b>62</b>
<b>Reconsideration of Value – Circular 26-04-04</b>	<b>64</b>
<b>VA As Client – Circular 26-04-05</b>	<b>65</b>
<b>Pilot Program – Appraisal from Model Home - LGIB 26-04-05</b>	<b>65</b>
<b>“Tidewater” Initiative – Circular 26-03-11</b>	<b>67</b>
<b>Clarification on “Tidewater” Policy</b>	<b>70</b>
<b>Selection of Comparable Sales, Listings, Contract Offers, etc.</b>	<b>71</b>

## Addendum to Fee Appraiser's Report: Client Requirements

**VA Case #:**

**Property Address:**

**Subject/Comps Listing History:**

	<u>Subject</u>	<u>Comp #1</u>	<u>Comp #2</u>	<u>Comp #3</u>	<u>Comp #4</u>	<u>Comp #5</u>
Listing						
Sales Price						
D.O.M.						

The current **sales price to listing price ratio** is \_\_\_\_\_%

\_\_\_\_\_ months ago sales price to listing price ratio was \_\_\_\_\_%

The current **Average Marketing Time**-for this market is \_\_\_\_\_ days.

\_\_\_\_\_ months ago the **Average Marketing Time** was \_\_\_\_\_ days.

### **VA Certification:**

"I have considered relevant competitive listings and/or contract offerings in the performance of this appraisal and in the trending information reported in this section. *If a trend is indicated, I have attached an addendum providing relevant competitive listing/contract offering data.*"

Appraiser's Signature for VA Certification- \_\_\_\_\_ Date \_\_\_\_\_

**Appraised Value (from URAR):** \_\_\_\_\_

**Data Source(s) for Subject and Comps:**

	<u>Subject</u>	<u>Comp#1</u>	<u>Comp#2</u>	<u>Comp#3</u>	<u>Comp#4</u>	<u>Comp#5</u>
Source#1						
Source#2						

**Comments on Sales Concessions or on Comps over 6 months old:**

**RAM Information:**

R (Received): \_\_\_\_\_

A (Appraised): \_\_\_\_\_

M (Mailed): \_\_\_\_\_

**Comments on RAM dates (if necessary use an addendum):**

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**Condominium / PUD Supplemental Information (N/A for all other property types)**

VA/HUD Condo Approval ID# (Condos only): \_\_\_\_\_

Comment on Adequacy of HOA Dues/Assessments: \_\_\_\_\_

Phone # of HOA Management Company: \_\_\_\_\_

# Fee Personnel Vacation Request Form

Please **e-mail** (preferably) or fax this form to VA *at least 7 days in advance* of the date you wish to have your VA appraisal or inspection assignments stopped due to vacation or other planned period of unavailability. In emergency situations that preclude advance notice, please contact VA as soon as possible. Additional instructions on the use of this form are provided on pages 9 and 10 of this Fee Appraiser Handbook.

**To: Construction & Valuation/Denver Regional Loan Center**

**E-mail: 39/VA262@vba.va.gov      Fax #: (303) 914-5618**

**FROM:** \_\_\_\_\_ **VA ID#** \_\_\_\_\_  
VA Fee Panel Appraiser/ Inspector

## State(s) Where Designated

**I request to have my VA assignments stopped for the period shown below for the following reason(s):**

- ☐ Vacation
- ☐ Other scheduled absence (appraiser education, etc.)
- ☐ Catch up on workload backlog
- ☐ Emergency or Illness
- ☐ Other: \_\_\_\_\_

I will be **unavailable for VA work** from (date) \_\_\_\_\_ to (date) \_\_\_\_\_

I request that **no new assignments** be made beginning (date) \_\_\_\_\_  
and that new assignments resume on (date) \_\_\_\_\_.

[Note: assignments must be stopped *at least 5 working days prior to the date of actual unavailability*. This allows time for any in-transit 26-1805's to be received and appraisals completed (or reassigned by VA). Your signature below acknowledges that you accept responsibility for completing and e-mailing all pending assignments prior to your departure or contacting VA to arrange for reassignment.]

**Appraiser's Signature:** \_\_\_\_\_ **Date** \_\_\_\_\_

## For VA Use Only

☐ Request approved as indicated above. TAS updated accordingly.

☐ Other: \_\_\_\_\_

Date and Initials of C&V Staff \_\_\_\_\_

## **GUIDELINES AND PROCEDURES FOR REQUESTING RECONSIDERATION OF VALUE**

1. The LAPP lender or LAPP Staff Appraisal Reviewer should send a cover letter to the VA fee appraiser with a copy of Lender's Notice of Value summarizing the reasons for their request **and the specific value being requested.**
2. For additional comparable sales, **enter all data on Grid Form below** or on a similar attachment. To be truly relevant, these sales should have closed within the past six months and be similar to the subject home in most major respects. NOTE: Sales that are not reasonably comparable to the subject will **NOT** be considered. NOTE: Assumptions are not acceptable.
3. Photos and location maps of all submitted comparable sales are highly recommended.
4. Submit any additional supporting documentation you feel is pertinent.
5. For MCRV plan increases only: you may submit to VA additional pending sales (3 or more), evidenced by predominantly **non-government** contracts, at least one of which is accompanied by a conventional appraisal report.
6. Value reconsiderations on LAPP cases must **first** be submitted to the VA fee appraiser **through the LAPP Staff Appraisal Reviewer (SAR)**. If a value increase is supported, the LAPP SARs are authorized to adjust value up to 5% without VA involvement. Refer to the Lender's Handbook for additional information.

[See Grid portion of form on next page. ]

## Reconsideration Grid Form - Part 2

LH, LAPP, or MCRV case # -

Subject Property Address -

Name of Veteran-Purchaser -

Original Appraised Value -

Value Requested-(specific amount) -

% of Increase-over the Original Appraised Value -

<b>ITEM</b>	<b>SUBJECT</b>	<b>COMP #1</b>	<b>COMP #2</b>	<b>COMP #3</b>
Address				
Proximity to Subject				
Sales Price				
Price/Gross Liv. Area				
Data Source				
Sales or Financing Concessions				
Date of Sale/Time				
Location				
Site/View				
Design/Appeal				
Quality of Construction				
Age				
Condition				
Above Grade Room Count Gross Living Area				
Basement Rooms Below Grade				
Functional Utility				
Heating/Cooling				
Garage/Carport				
Pool, Porches, Patio				
Energy Efficient Items				
Fireplaces				
Other				
NET ADJUSTMENT				
Indicated Value of Subject				

**Remarks** \_\_\_\_\_

I have personally reviewed all of these comparable sales and certify that all information is true and correct.

SIGNATURE of REQUESTER or AGENT \_\_\_\_\_

Date: \_\_\_\_\_

Phone Number: \_\_\_\_\_

*Revised July 2002*

**Department of  
Veterans Affairs**

**Information  
Bulletin**

November 25, 2002

Loan Guaranty Letter 02-15  
262-5

SUBJ: Liquidation Appraisal Timeliness

**Purpose**

We advised you on April 19, 2002, that effective June 1, 2002, fee appraisers must complete liquidation appraisal assignments in five business days. This Information Bulletin is to reinforce the importance of this timeliness standard and to provide you with some information regarding this standard.

**Why is Liquidation Appraisal Timeliness Important**

This liquidation appraisal timeliness standard has been re-established because of the number of foreclosure sales being messed and the attendant cost to the government of such “passed sales”. The VA also has a very strong commitment to reduce the number of homes veterans lose through foreclosure. We have instituted a program that is designed to reduce the foreclosure rate by working with veterans and loan servicers to provide alternatives to foreclosure. The value indicated on the liquidation appraisal report is an important tool in this process. Consequently, the appraisal report must be submitted in a timely process in order for this process to work properly. The savings to the government can be substantial every time we are successful in providing alternatives to foreclosure.

**What We Are Asking You To Do**

We are asking you to help us by giving top consideration to liquidation appraisal assignments complete them within 5 business days.

It remains VA’s policy that you must gain access to vacant properties. If you need assistance with this process, please call us at 1 888 349 7541.

You must make three attempts to gain access to any occupied properties. If access is denied, during any of these three attempts, you are to complete the appraisal report based on an exterior inspection of the property. You have to make your three access attempts in a manner that will not delay the completion of the appraisal report and cause you to miss the five-day timeliness requirement.

We do understand that there are times when it is not practical or in the best interest of our program to force appraisals through simply to meet our timeliness standard and will accept logical explanations for tardiness that was beyond your control.

## **What We Will Do**

We will continue to work with Loan Administration to re-emphasize the need for loan servicers to enter complete and accurate data on the appraisal request form. VA Central Office is working with national industry representatives to find ways to make this process work as efficiently as possible.

We will be looking at adding additional appraisers to areas where timeliness is a problem and can be improved by adding additional fee panel members.

## **In Closing**

We sincerely thank you for your cooperation in this matter and in your support of the VA Home Loan Program. We understand the heavy workload and the frustrations that come with being an appraiser. As VA Fee Panel members, you are assigned work on a rotational basis. This is work that you do not have to solicit. We ask that you consider this factor when helping us attain our goals.

VLINDA A. CHILDS  
Loan Guaranty Officer

Distribution:

Alaska, Colorado, Idaho, Montana, New Mexico, Oregon, Utah, Washington, and Wyoming  
Fee Appraisers

## REQUEST FOR RECONSIDERATION OF VALUE ON VA APPRAISALS

1. Purpose. The purpose of this circular is to reaffirm VA policy for processing requests for Reconsideration of Value (ROV) and to confirm compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). Expedient processing of ROVs is essential to ensure timely closing of VA loans.

2. Background. In the past most responses to ROV requests were prepared on fee appraisers' company letterhead. This remains an option illustrated in USPAP Advisory Opinion 3 (AO-3), Update of a Prior Assignment, issued by the Appraisal Standards Board. Proper processing of a ROV requires consideration of all data available to the appraiser, whether submitted with the request or acquired by other means, to affirm an estimate of market value. As a ROV is an "analysis involving the same property" it must comply with USPAP standards as illustrated in AO-3 and is considered an update of a prior assignment. Instructions for requesting and processing a ROV are contained in VA Lender's Handbook, section 13.09.

### 3. Fee Appraiser Requirement

a. Prepare an updated report incorporating the original case number and using one of the three reporting options in AO-3.

b. The new report may generally be restricted to analysis of the new data submitted to or obtained by the appraiser. A new Uniform Residential Appraisal Report (URAR) is not necessarily required, as the original URAR may be included by reference as noted in AO-3, under "Reporting Requirements" paragraph 3.

c. As stated in Circular 26-03-11, if additional sales data is submitted by a lender directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the fee appraiser is required to provide a response (report) within 5 working days.

d. If analysis of additional data does not support an increase in value, an explanation on company letterhead supporting the decision must be included in the report.

### 4. Related Policy

a. It is VA policy that fee appraisers process ROV requests on their prior assignments without additional compensation, unless the accompanying data was not available at the time of the original report.

b. As stated in Circular 26-03-11, a reasonable fee may be charged by the fee appraiser when the ROV request contains data to be reviewed that was not available at the time of the fee appraiser's report.

c. Any party of interest may request a ROV by written communication, through the lender, to the appraiser.

5. RESCISSION: This circular is rescinded January 1, 2007.



**THE DEPARTMENT OF VETERANS AFFAIRS AS THE CLIENT ON VA APPRAISALS**

1. Purpose. The purpose of this circular is to advise program participants of a new VA policy as a result of a change in the Uniform Standards of Professional Appraisal Practice (USPAP) for 2004.

a. VA will now be named as the client on the Uniform Residential Appraisal Report (URAR).

b. The intended user of the appraisal will be shown by type on the URAR, not by name. This should eliminate most requests for lender/client name changes on the URAR when the case is reassigned between lenders. This will avoid any conflict with the prohibition on using “readdressed appraisals”, as stated in USPAP and as communicated by the Appraisal Standards Board (ASB) in Advisory Opinion 26 (AO-26) - Readdressing (Transferring) a Report to Another Party.

2. Background. To sell their loans on the secondary market, lenders have typically required an appraisal report that supported the value and contained the name of their institution as the lender/client.

a. VA has conferred with the major purchasers of VA guaranteed loans on the secondary market and none have a requirement that the lender’s name be on the appraisal for a VA guaranteed loan.

b. USPAP Standards Rules 1-2(a) and 1-2(b); 7-2(a) and 7-2(b); and 9-2(a) require an appraiser to identify the client, intended users, and intended use.

c. It has always been the position of VA that the client on VA appraisals is The Department of Veterans Affairs. This is supported by VA requirements that appraisal assignments be made by VA from VA fee appraiser panels and that appraisals must be conditioned with VA minimum property requirements.

d. The intended use for VA appraisals has always been for residential loan purposes and the intended user has always been any approved VA lender. This has not changed.

e. In the past appraisers simply changed the name of the lender on the URAR, however new Advisory Opinions from the ASB clarify that this is not permitted under USPAP.

a. Fee appraisers will insert "Department of Veterans Affairs" after lender/client on the URAR on all VA case assignments.

b. Fee appraisers will identify the type of intended user by inserting "Intended User - Any VA approved lender" on the lender/client line following "Address".

4. Related Policy

There is no change in the procedures for ordering an appraisal/case number by requesters in TAS.

b. Lenders that continue to require their name on the URAR must negotiate a new assignment and pay the appraiser directly and may not charge the veteran. VA will not object to the appraiser accepting this new assignment.

5. RESCISSION: This circular is rescinded January 1, 2007.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director  
Loan Guaranty Service

**NEW PROCEDURES FOR IMPROVING COMMUNICATION WITH FEE APPRAISERS AND STREAMLINING RECONSIDERATIONS OF VALUE  
(TIDEWATER INITIATIVE)**

1. Purpose. The purpose of this circular is to encourage VA program participants to provide relevant market data to VA fee and staff appraisers during the appraisal process. These guidelines should help limit the number of cases that reach the reconsideration of value phase and also provide a more timely response to those cases that are submitted for reconsideration. However, the procedures described in this Circular should in no way suggest that appraisers are being pressured to make appraised values meet or exceed sale prices.

2. Background. This procedure began as a test program limited to the appraisal of properties in the areas of Chesapeake, Norfolk, Portsmouth and Virginia Beach, VA. Comments from program participants were encouraged and modifications were made based on responses received. Due to the success of this test program, VA has made policy changes regarding fee and staff appraisers' interaction with other program participants and in the reconsideration of value (ROV) process.

3. Notification of Point of Contact(s)

a. If the requester, on the appraisal request form (VAF 26-1805, Request for Determination of Reasonable Value), has provided specific Point of Contact (POC) information, VA fee appraisers are required to notify the listed POC when it appears that the appraised value will come in below the sales price of the subject property. The requestor may designate whomever they feel is most appropriate as the POC including the Realtor, Loan Officer/Originator, etc. If this information is not provided, the appraiser will be required to call the appraisal requestor shown on the appraisal request to make such notification.

b. Since there is currently no field for POC information in The Appraisal System (TAS) request screen the lender will enter the specific contact information in field #30, Comments on Special Assessments or Homeowner's Association Charges. The information should read: POC for Appraisal Issues is: (ex. John Doe, (800) 123-4567, JDOE@XYZ.COM). The appraiser will not be at liberty to discuss the contents of the appraisal with the POC at this point beyond explaining that they are calling for whatever additional information the POC may be able to provide. We expect full cooperation between the fee appraiser and the specified POC or lender.

c. Once the fee appraiser has notified the lender or POC, they will have 2 working days to provide additional information to the fee appraiser, in a format similar to the comparable sales grid on the URAR. Verification that the sale actually closed is also required. If pending sales contracts are submitted to support a time adjustment, they must be complete with all contract addendums attached. In addition, there should be a brief narrative attached that describes the similarities/differences between the pending sale and the subject property.

d. After receipt of any additional information, the appraiser will complete the appraisal report indicating that this process was utilized. If the information provided to the appraiser does not result in an increase in value that meets or exceeds the sales price, the appraiser will report on an addendum the following information: Who provided the information, what information was provided, and why it did not change the opinion of value. In either situation, the appraiser will include a comment regarding the amount of time this process added to the overall appraisal delivery. VA and Lender Staff Appraisal Reviewers (SARs) will monitor this factor and determine if reasonable timeliness was adhered to.

#### 4. Requesting Reconsiderations of Value (ROVs) After the Notice Of Value (NOV) Has Been Issued.

a. If the lender processing a ROV request provides the additional information directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the VA fee appraiser will be required to provide a response within 5 working days. This should be the preferred, though not required, format.

b. Where information submitted in support of an ROV request requires the fee appraiser to review data that was not available at the time of the fee appraisers report, the appraiser will be allowed to charge a reasonable fee for this service. The Regional Loan Center (RLC) of Jurisdiction over the property should be consulted on questions of proper ROV fees.

c. Wherever possible, ROVs, and other correspondence, should be submitted via e-mail with supporting documentation as PDF attachments. Such documents are easily forwarded to appropriate personnel and allow VA and the fee appraisers to receive and process information in the most timely and efficient manner.

Fee Appraiser Responsiveness to Program Participants. VA fee appraisers are expected to represent the Department of Veterans Affairs in a manner that reflects professionalism and is oriented toward customer service. VA fee appraisers are

expected to provide a status report on anticipated delivery date of their work when requested by any legitimate party to the transaction: i.e., lender, realtor, buyer/seller. However, fee appraisers are not required to defend or discuss their reports with all members of the public. Questions on the content of an appraisal report should be directed to either the VA RLC of jurisdiction or the Lender's SAR. Complaints on fee appraiser performance, timeliness, or demeanor should be directed to the RLC of jurisdiction.

6. RESCISSION: This circular is rescinded January 1, 2007.

By Direction of the Under Secretary for Benefits

Keith Pedigo, Director  
Loan Guaranty Service

***[Note: See also the following Question and Answer designed to clarify the "Tidewater" policy]***

**Subject: Clarification from VA Central Office regarding Circular 26-03-11  
("Tidewater" Initiative)**

**Question:**

I received a question regarding Circular 26-03-11. What types of things are the appraisers not at liberty to discuss? Value, contents of sales grid?

Will the appraiser provide the address of the comparables that were used to arrive at the value to ensure the new information is not a duplicate of what the appraiser used in the current analysis?

**Answer:**

We would expect that the appraiser WILL NOT DISCUSS ANYTHING ABOUT THEIR APPRAISAL to that point. This is one of those issues that are covered under USPAP. If the appraiser discusses anything [reports the comps used to that point for example], that could be [most likely would be] interpreted as having provided a verbal report under USPAP. It is not our desire/purpose to provide a report at this stage of the process. We are trying to afford parties of interest an opportunity to be involved in the process and to assist the appraiser in obtaining the best available data so as to facilitate the process and avoid needlessly creating Reconsideration of Value (ROV) situations which only tend to slow the lending process. If a POC provided the same comparables to the fee appraiser that they have already selected, that could be a good indicator that the appraiser has performed well in the selection of their comparables and would serve to (possibly) validate their position.

We would have to defend any appraiser that refused to discuss any aspect of their report at this stage in the process. We would likely have to chastise any appraiser that created problems [for all of us] by too loosely discussing their report at this stage in the process. We have discussed this process with the Appraisal Foundation [the organization responsible for USPAP] and other appraisal organizations at great length [due to their concerns] and clearly explained that it is not our intent to force appraisers to violate the provisions of USPAP by our process. We must be diligent to ensure we do not cross the line! We believe that this process can be a significant improvement in our customer service. It would be a shame to have to abandon it because of unacceptable pressure being placed on the appraisers by those that the process is intended to benefit!

We expect appraisers to be familiar with USPAP and to understand this distinction. However, while we do not feel it is our position to train appraisers on USPAP, we will make an effort to clarify this distinction with them during our fee appraiser training sessions as a way of explaining/justifying our process. We have a satellite broadcast training session for fee appraisers scheduled for March 17th and I will ask the team developing the training that this issue be included at that time.

This is one of those issues where we have a tremendous need for clarity and I appreciate you bringing this question forward for us to focus upon. I think there is an important distinction to be made on this and that it would likely be a question asked by many other lenders/Realtors, etc. For that reason I am sending a cc of this message to our C&V field management team so that when it arises they may be prepared to answer this question in a consistent manner nationwide.

Gerald A. Kifer  
Supervisory Appraiser  
VA Central Office

## ADDENDUM

### **Selection of Comparable Sales including the Proper Use of Listings, Contract Offers, etc. [Reference: Lender's Handbook, page 11-13]**

In *every case*, the appraiser **must**:

- analyze sales listings, contract offers and unsettled sales to determine if market conditions changed between the date each comparable sold and the date of the subject property appraisal.  
⇒ This is especially important in markets with rapidly increasing or decreasing values.  
**\*\* IMPORTANT: If the subject property is in a new subdivision, the analysis *must* include the builder's closed sales, sales in competitive subdivisions and sales of similar existing properties. Note: Denver RLC requires that all thereof these sale types be represented among the closed sales used in the adjustment grid. Use of a fourth or fifth comparable may be necessary in some cases to fulfill this requirement.**
- certify, either in the "Neighborhood" section of the URAR or on the Client Requirements Addendum, ***"I have considered relevant competitive listings/contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report."***
- provide a listings/offers addendum if a significant market transition is indicated in the "Neighborhood" section (due to changes in employment opportunity, housing supply/demand, average marketing time, seller concessions, etc.).

***If an addendum is required:***

- It must provide all of the following information regarding ***at least three competitive listings or verifiable, bona fide contract offerings*** considered the most similar and proximate to the subject:
  - ⇒ The type of information usually found in an MLS entry or other listing.
  - ⇒ How long each property has been on the market (total time listed).
  - ⇒ Any change in the listing price of each property (if known).
  - ⇒ A short statement comparing the property to the subject.
- Contract offerings are more desirable than listings and should be given more weight.
- Any new construction contract must clearly identify every optional item and variation from the basic house type and any sales/financing concession included in the sales price.
- Listings must be properly identified and may include a legible copy of an MLS entry.
- Although not required, it may be helpful to make adjustments or otherwise use a sales comparison analysis grid.

**Note:** Sales listings, contract offers, and unsettled sales ***must not be used as comparables***. If such data is clearly identified and fully explained, however, it ***can be used to support time adjustments***.

